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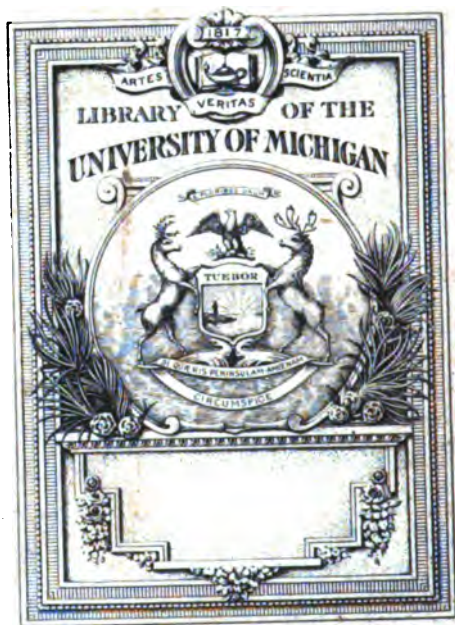
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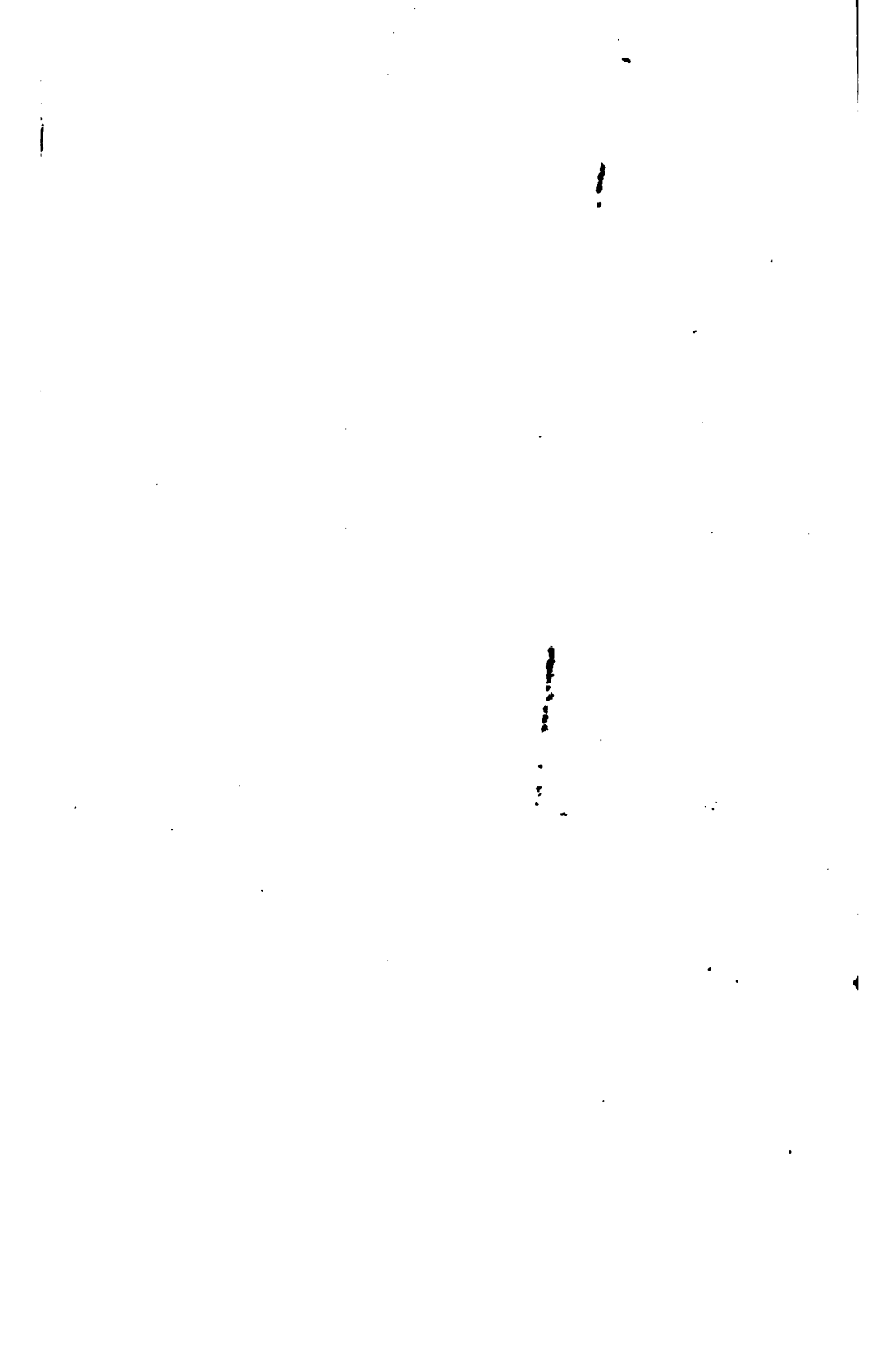
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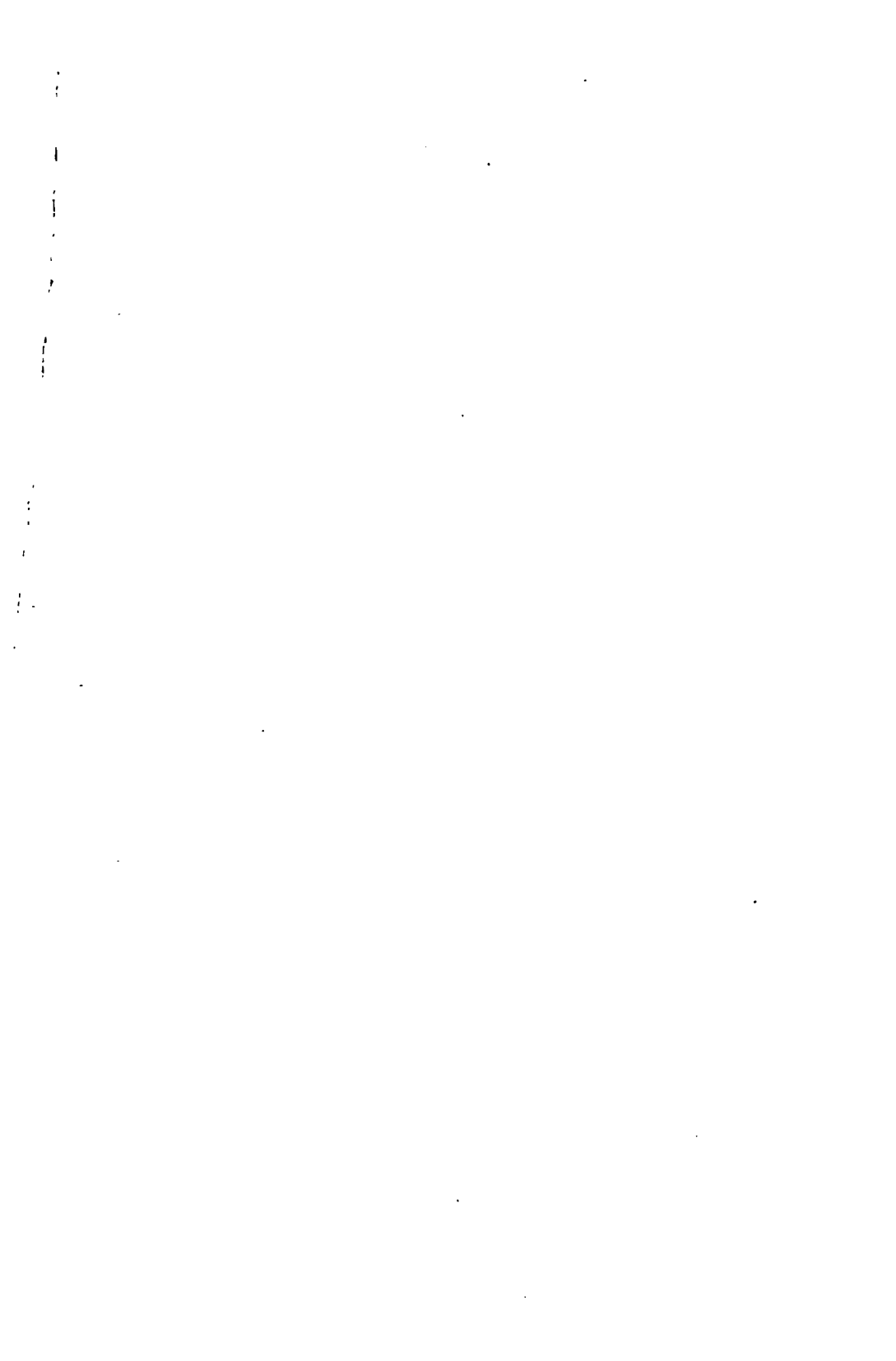
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DOCUMENTS
OF THE
SENATE
OF THE
STATE OF NEW YORK
ONE HUNDRED AND THIRTY-SEVENTH SESSION
1914

VOL. XVI.— No. 35 — PART 5



ALBANY
J. B. LYON COMPANY, PRINTERS
1914

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FIFTY-FIFTH

ANNUAL REPORT

OF THE

Superintendent of Insurance

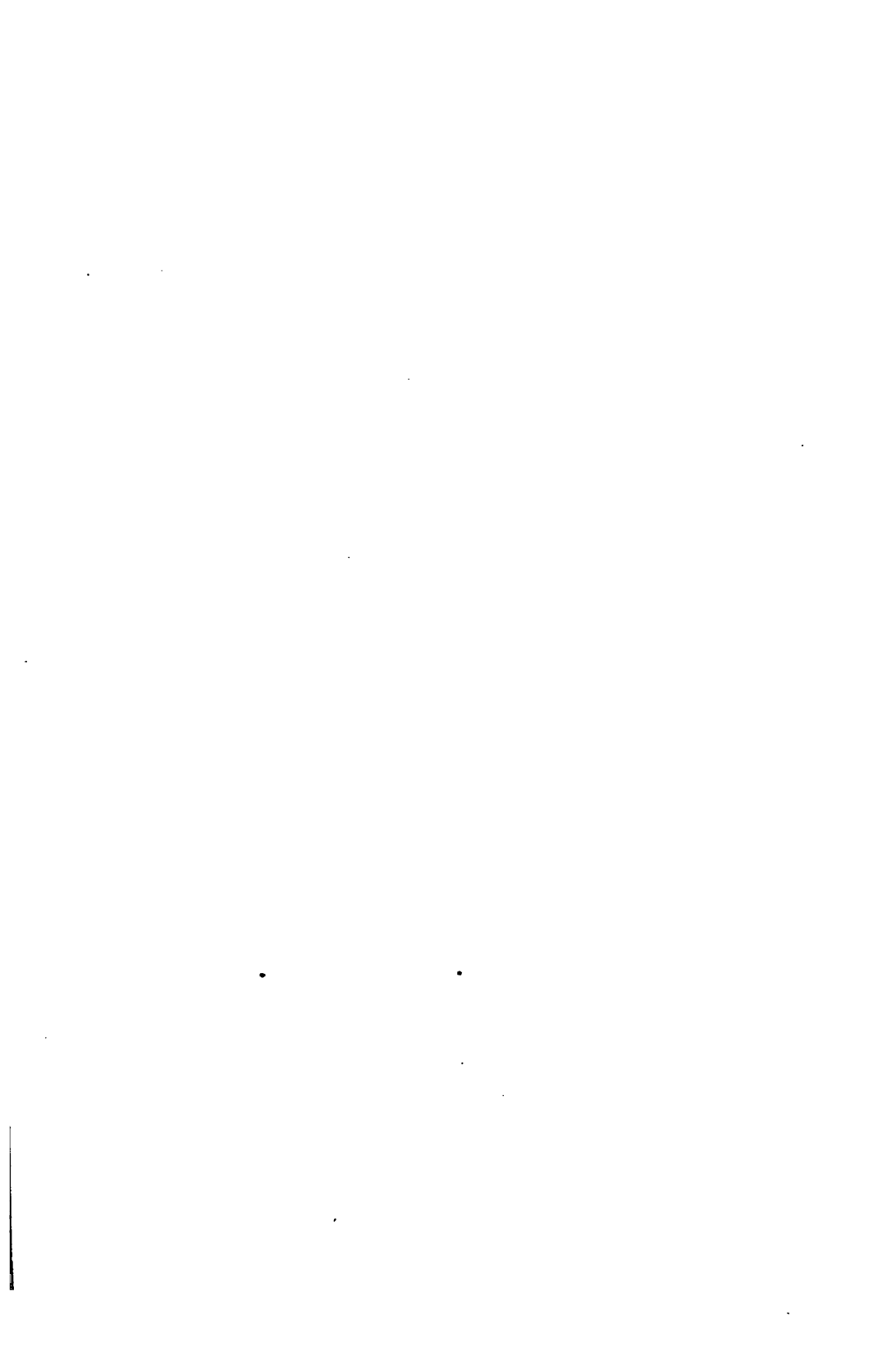
OF THE

STATE OF NEW YORK



PART V

Laws of 1914—Court of Appeals Decisions—Opinions of
Attorney-General—Rulings and Opinions on Life
Insurance Laws—Reports on Examination—
Special Reports—Fees and Taxes



STATE OF NEW YORK

No. 35.

IN SENATE

FIFTY-FIFTH ANNUAL REPORT

OF THE

SUPERINTENDENT OF INSURANCE

STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, *October 30, 1914*

Hon. ROBERT F. WAGNER, *Lieutenant Governor:*

Sir.— The Annual Report of the Superintendent of Insurance, Part V, containing 1914 amendments to the Insurance Law, decisions of the Court of Appeals, opinions of the Attorney-General, rulings and opinions on life insurance laws, reports on official examination, miscellaneous special reports, and schedules of fees and taxes charged New York companies by other states, is herewith transmitted to the Legislature.

Respectfully yours,

Frank H. Brown
Superintendent

By Transfer
APR 13 1917

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INSURANCE LAWS

OF

1914

[11]

NOTE

A consolidation of statutes relating to insurance corporations became law February 17, 1909, as chapter twenty-eight of the Consolidated Laws, being chapter thirty-three of the Laws of 1909. A number of amendments were passed during the 1909 and following sessions of the Legislature and were printed in Part V of the respective years. Following are amendments passed during the regular session of 1914 and approved by the Governor, and a list of the chapter titles may be found on page 95 of this volume.

INSURANCE LAWS OF 1914.

Chap. 13.

AN ACT to amend the insurance law, in relation to agents.

Became a law February 26, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and forty-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter seven of the laws of nineteen hundred and thirteen, is hereby amended to read as follows:

§ 142. **Agent's certificate of authority.** The term "agent" in this section shall include an acknowledged agent or any person, partnership, association or corporation who shall in any manner aid in transacting the insurance business of any underwriter, incorporated or unincorporated, by negotiating for or placing risks or delivering policies or collecting premiums, but shall not include the officers and salaried employees of any such underwriter, who do not receive commissions. Every underwriter, incorporated or unincorporated, engaged in the transaction of any business of insurance within this state, upon the employment or termination of the employment of any person, partnership, association or corporation to act as its agent within this state, shall certify such fact together with the name and address of such agent to the superintendent of insurance; and shall also annually during the month of January, in such form as the superintendent of insurance shall prescribe, file with him a list of the names and addresses of all its agents authorized to act as such within the state. No person, partnership, association or corporation shall as agent act for any such underwriter in this state, unless such underwriter shall have fully

complied with the provisions of this chapter nor unless such agent shall have procured an agent's certificate of authority from the superintendent of insurance. The superintendent of insurance shall file in his office evidence of the issuance of every such certificate to an agent, together with evidence of such agent's authority from each underwriter for whom he is to act. An agent's certificate of authority shall be issued only upon application filed with the superintendent of insurance, in such form as the superintendent of insurance shall prescribe. Every such certificate shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if the application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year such agent may continue to act as such under such expired certificate until the issuance to him by the superintendent of insurance of a new certificate or until five days after the superintendent of insurance shall have refused to renew such certificate and shall have served notice of such refusal on such agent. Service of such notice may be made either personally or by mail, and, if by mail, shall be deemed complete if such notice is deposited in the post-office, postage prepaid, directed to the applicant at the place of residence or business specified in his application. An underwriter, authorized to transact the insurance business within this state, who shall employ as agent any person, partnership, association or corporation not having an agent's certificate of authority from the superintendent of insurance authorizing him to act as agent shall not authorize or permit such agent under his contract of employment to solicit insurance or issue policies for such underwriter until such agent shall have procured a certificate of authority as required by this section. An agent's certificate of authority shall be revoked, or the issue or renewal thereof refused, by the superintendent of insurance if, after due investigation and a hearing either before himself or before any salaried employee of the insurance department designated by him whose report he may adopt, he determines that the holder of such certificate, or the applicant thereof, as the case may be, has violated any provision of this chapter, or has been guilty of fraudulent practices. No individual,

corporation, partnership or association whose certificate of authority is so revoked, nor any partnership, or association of which such individual is a member, nor any corporation of which he is an officer, shall be entitled to any certificate of authority under this section for one year after such revocation, or, if such revocation be reviewed by certiorari proceedings, for one year after the final determination thereof affirming the action of the superintendent in revoking such certificate. If any such certificate held by a partnership, association or corporation be so revoked, no member of the partnership or association or officer of the corporation shall be entitled to any such certificate for the same period of time, if the superintendent of insurance determine that such member or officer was personally at fault in the matter on account of which the certificate was revoked. The action of the superintendent of insurance in granting or refusing to grant or renew a certificate of authority or in revoking or refusing to revoke such certificate under this section shall be subject to review by writ of certiorari, at the instance of the applicant for such certificate, the holder of a certificate so revoked or the holder of any certificate or the person aggrieved. If the superintendent of insurance shall revoke or shall refuse to renew the certificate of authority of any agent issued under this section and such agent shall apply for a writ of certiorari to review such action, the certificate of authority of such agent shall be deemed to be in full force and effect for all purposes including the right to renewal until the final determination of such certiorari proceedings and all appeals therefrom.

This section shall not apply to any contract of life insurance, nor to any contract of health or accident insurance, nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor to contracts of insurance upon property located without this state, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter.

Any person, partnership, association or corporation violating any provision of this section shall, in addition to any other pen-

alty in this chapter provided, forfeit to the people of the state five hundred dollars.

Nothing in this chapter shall be so construed as to prevent any underwriter authorized to do business within this state from authorizing a broker to whom a certificate of authority has been issued under this chapter to act as agent of such underwriter for the collection of premiums.

§ 2. This act shall take effect on the first day of July, nineteen hundred and fourteen.

Chap. 14.

AN ACT to amend the insurance law, in relation to the agents of health and accident insurance corporations.

Became a law February 26, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by adding thereto a new section after section ninety-one, to be section ninety-one-a, and to read as follows:

§ 91-a. **Agents for health or accident insurance.** No corporation transacting the business of health and accident insurance within this state, or agent thereof, shall pay any commission or other compensation to any person, partnership, association or corporation, except to a broker duly authorized under the provisions of section one hundred and forty-three of this chapter, for services in obtaining new insurance or in collecting premiums from policyholders in this state, unless such person, partnership, association or corporation shall have first procured from the superintendent of insurance a certificate of authority to act as an agent of such corporation as hereinafter provided. No person, partnership, association or corporation shall act as agent in the solicitation or procurement in this state of applications for health and accident insurance or in the collection of premiums for such insurance, or receive for such services any commission or other compensation from any corporation transacting the business of health and accident insurance in this state, or agent thereof, without first procuring a certificate of authority so to act from the superintendent of insurance which must be renewed annually.

Before any agent's certificate of authority shall be issued by the superintendent of insurance pursuant to this section, there shall be filed in his office: (1) A written application by the person, partnership, association or corporation desiring such au-

thority which shall be in the form or forms and supplements thereof prescribed by the superintendent of insurance and contain such information as he may require. (2) A certificate by the corporation desiring to employ the applicant as agent, duly verified by one of its executive officers or managing agents, that such corporation has duly investigated the character and record of the applicant and has satisfied itself that he is trustworthy and competent to act as its agent. The superintendent of insurance may refuse to issue or renew and may revoke any such certificate for cause, which shall include violations of the insurance law and fraudulent practices, provided that no such action shall be taken without an investigation and a hearing either before the superintendent or before a salaried employee of the insurance department designated for that purpose, whose report the superintendent may adopt. Every such corporation shall, upon the termination of the employment of any agent for the solicitation of health and accident insurance in this state or the collection of premiums therefor, forthwith file with the superintendent of insurance a statement of the facts relative to the employment of such agent and the termination of such employment and the cause thereof.

Every such certificate shall expire upon the termination of the employment of the agent by the corporation for which he is authorized to act as agent, or in any event, on the thirty-first day of December of the calendar year in which the same shall have been issued, provided, however, if an application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year, such agent may continue to act as such under such expired certificate until the issuance to him by the superintendent of insurance of a new certificate or until five days after the superintendent of insurance shall have refused to issue such certificate and shall have served notice of such refusal on such agent. Service of such notice may be made either personally or by mail, and, if by mail, shall be deemed complete if such notice is deposited in the post-office, postage prepaid, directed to the applicant at the place of residence or business specified in his application.

§ 2. This act shall take effect on the first day of July, nineteen hundred and fourteen, provided that any person, partnership, association or corporation, acting as the agent in this state of any corporation transacting the business of health and accident insurance, who or which shall or may have procured a certificate of authority to act as agent of such corporation under and pursuant to the provisions of section one hundred and forty-two of this chapter prior to the said first day of July, nineteen hundred and fourteen, shall not be required to make application for a certificate of authority hereunder for the year nineteen hundred and fourteen, and that, if such agent, so authorized, shall apply for a certificate of authority to act as agent pursuant to this section prior to the first day of January, nineteen hundred and fifteen, such agent may continue to act as such under such expired certificate until the issuance to him or it by the superintendent of insurance of a certificate thereunder or until five days after the superintendent of insurance shall have refused to issue such certificate and shall have served notice of such refusal in the manner above provided.

Chap. 16.

AN ACT to amend the insurance law, in relation to the approval of premium rates of corporations and associations transacting the business of workmen's compensation insurance.

Became a law March 4, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article one of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by adding at the end thereof a new section, to be section sixty-seven, to read as follows:

§ 67. **Approval of premium rates.** Every insurance corporation or association, except the state insurance fund as administered by the state workmen's compensation commission, authorized to transact business in this state, which insures employers against liability for compensation under the workmen's compensation law, shall file with the superintendent of insurance its classification of risks and premiums relating thereto, and any subsequent proposed classification of risks and premiums, together with basis rates and schedules, if a system of schedule rating be in use, none of which shall take effect until the superintendent of insurance shall have approved the same as adequate for the risks to which they respectively apply. The superintendent of insurance may withdraw his approval of any premium rate or schedule made by any insurance corporation or association if, in his judgment, such premium rate or schedule is inadequate to provide the necessary reserves.

§ 2. This act shall take effect immediately.

Chap. 102.

AN ACT to amend the insurance law, in relation to securities deposited by insurance corporations.

Became a law April 3, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section thirteen of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter six hundred and thirty-four of the laws of nineteen hundred and ten, is hereby further amended to read as follows:

§ 13. **Deposit of securities.** Every deposit made with the superintendent of insurance by any domestic or foreign insurance corporation shall be in the stocks or bonds of the United States or of this state or in the bonds of a county or incorporated city in this state, authorized to be issued by the legislature, not estimated above their par or their current market value. Such deposit may be made by an insurance corporation incorporated under the laws of another state of the United States in the stocks or bonds of such state or in the bonds of a county or incorporated city therein authorized to be issued by the legislature, not estimated above their par or their current market value; provided that similar domestic insurance corporations doing business in such state are authorized by the laws thereof to deposit or hold as security therein for the benefit or security of their policyholders and creditors in such state like securities of this state. Such deposit may be made by an insurance corporation incorporated under the laws of a country outside of the United States authorized to do business in this state in the stocks or bonds of such country or of any province or city therein, or, if any securities other than those above named are offered as a deposit, they may be accepted at such valuation and on such conditions as the superintendent of insurance may direct, provided that similar

domestic insurance corporations doing business in such country outside of the United States are authorized by the laws thereof to deposit or hold as security therein for the benefit or security of their policyholders and creditors in such country the stocks or bonds of the United States, the stocks or bonds of this state or of any county or incorporated city in this state and securities of the same general character as those which are offered for deposit in the insurance department; and provided, further, that if any country makes a deduction from the value of the securities deposited by similar domestic corporations a similar deduction shall be made from the securities deposited in the insurance department by corporations incorporated under the laws of such country. If the market value of any of the securities which have been deposited by any company shall decline below that at which they were deposited, the superintendent of insurance shall call upon the company to make a further deposit, so that the market value of all securities deposited by any such company shall be equal to the amount which it is required to deposit. All deposits heretofore made pursuant to this chapter, and all deposits which shall or may hereafter be made pursuant thereto, and the proceeds thereof, shall be held in trust according to the law relating thereto without preference or priority for or on account of any cause or causes whatsoever to any beneficiary entitled to share therein.

§ 2. This act shall take effect immediately.

Chap. 103.

AN ACT to amend the insurance law, in relation to the limitation of expenses of domestic life insurance corporations.

Became a law April 3, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section ninety-seven of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter three hundred and one of the laws of nineteen hundred and nine, chapter six hundred and ninety-seven of the laws of nineteen hundred and ten and chapter three hundred and four of the laws of nineteen hundred and thirteen, is hereby amended to read as follows:

§ 97. **Limitation of expenses.** No domestic life insurance corporation shall in any calendar year, after the year nineteen hundred and six, expend or become liable for, including any and all amounts which any person, firm or corporation is permitted to expend on its behalf or under any agreement with it (1) for commissions on first year's premiums, (2) for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices, (3) for medical examinations and inspections of proposed risks, and (4) for advances to agents, a total amount exceeding in the aggregate (a) the loadings upon the premiums for the first year of insurance received in said calendar year (calculated on the basis of the American experience table of mortality with interest at the rate of three and one-half per centum per annum) and (b) the present values of the assumed mortality gains for the first five years of insurance on policies in force at the end of said calendar year on which the first premium, or instalment thereof, has been received during said calendar year, as ascertained by the select and ultimate method of valuation as provided in section eighty-four of this

chapter; and (c) on policies issued and terminated in said calendar year the full gross premiums received, less the net cost of insurance for the time the insurance was in force, computed by the American experience select and ultimate table, three and one-half per centum. No such corporation shall make or incur any expense or permit any expense to be made or incurred upon its behalf or under any agreement with it, except actual investment expenses (not exceeding one-fourth of one per centum of the mean invested assets) and also except taxes on real estate and other outlays exclusively in connection with real estate, in excess of the aggregate amount of the actual loadings upon premiums received in said year calculated according to the standards adopted by the company under section eighty-four of this chapter, and the present values of the assumed mortality gains hereinbefore mentioned. Provided, however, that any such corporation having less than eighty millions of insurance in force, may incur a total expenditure exceeding the limits of expenditure as herein defined by an amount not greater than the following percentages of its loadings for the preceding calendar year, to wit: having at the end of such year less than ten millions, forty per centum; having twenty but less than thirty millions, thirty-five per centum; having thirty but less than forty millions, thirty per centum; having forty but less than fifty millions, twenty-five per centum; having fifty but less than sixty millions, twenty per centum; having sixty but less than seventy millions, fifteen per centum; having seventy but less than seventy-five millions, ten per centum; having seventy-five but less than eighty millions, five per centum. No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance. Except as hereinafter provided all bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited. Nothing herein contained is to be construed as prohibiting the institution of contests

or competitions among agents, and the recognition of success in such competitions by the awarding of ribbon decorations, medals, pins, buttons or other tokens of small intrinsic value, given not as compensation but as a bona fide recognition of merit. No such corporation shall pay commissions upon renewal premiums received upon policies issued after the year nineteen hundred and six, in excess of five per centum of the premium annually for fourteen years after the first year of insurance in the case of endowment policies providing for less than twenty annual premiums, nor in excess of seven and one-half per centum of the premium annually for the first nine years after the first year of insurance and five per centum of the premium annually for the next ensuing five years in the case of other forms of policies; provided that an amount found to be equivalent to the aggregate amount so payable by a calculation approved by the superintendent of insurance and based upon mortality, interest and lapse rates, may be distributed through three or more years, or through a period exceeding fourteen years, but not more than two-fifths of such amount shall be payable for any one year; provided further that in any agency district subject to the supervision of a local salaried representative the renewal commission payable to agents of such district shall not exceed two-thirds of the foregoing rates annually for fourteen years, subject to the calculation as aforesaid; provided further that any such corporation may condition the allowance or payment in whole or in part of any of the renewal commissions allowed to be paid as aforesaid upon the efficiency of service of the agent receiving the same or upon the amount and quality of the business renewed under his supervision; and also provided that a fee not exceeding three per centum may be paid for the collection of premiums which shall be received for any year after the fifteenth year of insurance. If any such corporation shall compensate its agents, or any of them, after the first insurance year, in whole or in part, upon any other plan than commissions and collection fees, the aggregate sum so paid shall in no year exceed the limitations herein imposed and the schedule and plan of such compensation shall be submitted to and approved by the superintendent of insurance. No such corporation, nor any person, firm or corporation, on its behalf or under any agree-

ment with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance. A foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the state. This section shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance and as to compensation of and loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing nonparticipating policies exclusively.

§ 2. This act shall take effect immediately.

Chap. 106.

AN ACT to amend the insurance law, in relation to fraternal beneficiary societies, orders and associations.

Became a law April 3, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section two hundred and thirty-seven of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter one hundred and ninety-eight of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 237. **Foreign societies.** 1. Foreign societies which are now authorized to transact business in this state may continue such business until the first day of April next succeeding the adoption of this article, and the authority of such societies may thereafter be renewed annually, to terminate in all cases on the first day of the succeeding April; provided, however, that the license shall continue in full force and effect until the new license shall be issued or be specifically refused. A duly certified copy or duplicate of such license shall be prima facie evidence that the licensee is a fraternal benefit society, within the meaning of this article.

2. No foreign society now transacting business, organized prior to the adoption of this article, which is not now authorized to transact business in this state, shall transact any business herein without a license from the superintendent of insurance. Any such society may be licensed to transact business within this state, upon filing with such superintendent a duly certified copy of its charter or articles of association, a copy of its constitution and laws, certified by its secretary or corresponding officer, a power of attorney to such superintendent as hereinafter provided, a statement of its business, under oath of its president and secretary or corresponding officers, in the form required by the superintendent, and duly verified by an examination made by the super-

vising insurance official of its home state or any other state satisfactory to the superintendent of insurance of this state, a certificate from the proper official in its home state, province or country that the society is legally organized, a copy of its contract — which must show that benefits are provided for by periodical or other payments by persons holding similar contracts — and upon furnishing the superintendent such other information as he may deem necessary to a proper exhibit of its business and plan of working. Upon compliance with these requirements, such foreign society shall, subject to the provisions of section nine of this chapter, be entitled to do business in this state until the first day of the succeeding April, and such license shall, upon compliance with the provisions of this article, be renewed annually, to terminate in all cases on the first day of the succeeding April; provided, however, that such license shall continue in full force and effect until the new license shall be issued or be specifically refused. Any foreign society desiring admission to this state must have the qualifications required of domestic societies organized under this article, and have its assets invested as required by the laws of the state, territory, district, country or province wherein it is organized. When the superintendent refuses to license any society, or revokes its authority to do business in this state, he shall reduce his ruling, order or decision to writing and file the same in his office, and shall, upon request, furnish a copy thereof, together with a statement of his reasons, to the officers of the society, and such action of the superintendent shall be reviewable by proper proceedings in any court of competent jurisdiction within the state; provided, however, that nothing contained in this or the preceding paragraph shall be taken or construed as preventing any such society from continuing in good faith all contracts made in this state during the time the society was legally authorized to transact business herein.

3. Every foreign society now transacting business in this state shall, within thirty days after the adoption of this article, and every such society hereafter applying for admission shall, before being licensed, appoint in writing the superintendent of insurance to be its true and lawful attorney, upon whom all legal process in any action or proceeding against it shall be served and in such

writing shall agree that any lawful process against it which is served upon such attorney shall be of the same legal force and validity as if served upon the society, and that the authority shall continue in force so long as any liability remains outstanding in this state. Copies of such appointment, certified by said superintendent of insurance, shall be deemed sufficient evidence thereof, and shall be admitted in evidence with the same force and effect as would the original. Such service may be made upon such attorney, or, in his absence, upon the person in charge of his office and shall be deemed sufficient service upon such society; provided, however, that no such service shall be valid or binding against any such society when it is required thereunder to file its answer, pleading or defense in less than twenty days from the date of such service of such process. When legal process against any such society is served upon said superintendent of insurance, he shall forthwith forward by registered mail one of the duplicate copies thereof, prepaid, directed to its secretary or corresponding officer.

§ 2. This act shall take effect immediately.

Chap. 108.

AN ACT to amend the insurance law, in relation to requiring adjusters of loss or damage by fire to procure a certificate of authority from the superintendent of insurance.

Became a law April 3, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and thirty-eight-a of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter twenty-two of the laws of nineteen hundred and thirteen and amended by chapter five hundred and twenty-two of the laws of nineteen hundred and thirteen, is hereby amended to read as follows:

§ 138-a. **Public adjusters; certificate of authority.** The term "public adjuster" in this section shall include every person, partnership, association or corporation advertising, soliciting business or holding himself or itself out to the public as an adjuster of loss or damage by fire, or receiving any compensation or reward for the giving of advice or assistance to the assured in the adjustment of claims for loss or damage by fire, and all persons who for compensation or reward, whether by way of salary or commission or otherwise, solicit business, investigate or adjust losses or advise the assured with reference to claims for loss or damage by fire, on behalf of any other person, partnership, association or corporation engaged in the business of adjusting loss or damage by fire.

No person, partnership, association or corporation shall act as a public adjuster, or receive for or because of services rendered in the adjustment of any claim or claims for loss or damage by fire under a policy or policies of insurance upon property within this state any money or commission or other thing of value, without first procuring a certificate of authority to act as a public adjuster from the superintendent of insurance.

The superintendent of insurance shall issue adjusters' certificates of authority to persons, partnerships, associations or corporations applying therefor, whom he deems to be trustworthy and competent to transact business as public adjusters in such manner as to safeguard the interests of the public.

A certificate of authority issued to a corporation, partnership or association shall authorize only the officers and directors of the corporation, or the members of the partnership or association, specified in the certificate. The fee to be paid to the superintendent of insurance by the applicant for such adjuster's certificate at the time the application is made, and annually for the renewal thereof, shall be twenty-five dollars. If the applicant be a corporation, partnership or association such fee shall be paid for each person specified in the certificate.

Every adjuster's certificate of authority shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if an application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year the certificate of authority sought to be renewed shall continue in full force and effect until the issuance by the superintendent of insurance of the new certificate applied for or until five days after the superintendent of insurance shall have refused to issue such new certificate and shall have served notice of such refusal on the applicant therefor. Service of such notice may be made either personally or by mail, and if by mail, shall be deemed complete if such notice is deposited in the post office, postage prepaid, directed to the applicant at the place of business specified in the application.

Before any adjuster's certificate of authority shall be issued by the superintendent of insurance there must be filed in his office a written application therefor. Such application shall be in the form or forms and supplements thereof prescribed by the superintendent of insurance and must set forth (1) the name and address of the applicant, and if the applicant be a partnership or association, the name and address of each member thereof, and if the applicant be a corporation, the name and address of each of its officers and directors; (2) whether any certificate of authority as agent, broker or adjuster has been issued theretofore by the

superintendent of insurance to the applicant, and, if the applicant be an individual, whether any such certificate has been issued theretofore to any partnership or association of which he was or is a member or to any corporation of which he was or is an officer or director, and, if the applicant be a partnership or association, whether any such certificate has been issued theretofore to any member thereof, and, if the applicant be a corporation, whether any such certificate has been issued theretofore to any officer or director of such corporation; (3) the business in which the applicant has been engaged for the year next preceding the date of the application, and, if employed by another, the name or names and address or addresses of such employer or employers; (4) such information as the superintendent of insurance may require of applicants to enable him to determine their trustworthiness and competency to transact the business of adjuster in such manner as to safeguard the interests of the public.

An application for an adjuster's certificate of authority must be signed and verified by the applicant and, if made by a partnership or association, by each member thereof and if made by a corporation by each officer and director thereof to be authorized thereby to act as an adjuster.

A corporation, association or partnership to which a certificate of authority shall have been issued by the superintendent of insurance under this section may at any time make an application to the superintendent of insurance for the issuance of a supplemental certificate of authority authorizing additional officers or directors of the corporation or members of the partnership or association to act as adjusters, and the superintendent of insurance may thereupon issue to such corporation, association or partnership a supplemental certificate accordingly upon the payment of an additional fee for each member or officer or director thereby authorized to act as an adjuster.

A certificate issued under this section shall be revoked by the superintendent, if, after due investigation, he determines that the holder of such certificate (1) has violated any provision of this chapter; or (2) has made a material misstatement in the application for such certificate; or (3) has been guilty of fraudulent practices; or (4) has demonstrated his incompetency or untrustworthiness to transact the business of a public adjuster.

If an application for a certificate of authority under this section be rejected or such a certificate be revoked by the superintendent of insurance notice thereof shall forthwith be served on the applicant or on the holder of such certificate either personally or by mail, and, if by mail, such service shall be complete if such notice be deposited in the post office, postage prepaid, directed to the applicant or the holder of such certificate, as the case may be, at the place of business specified in the application or certificate.

This section shall not apply to an agent or employee of an underwriter by whom a policy of insurance against loss or damage by fire shall have been written upon property within this state, in adjusting loss or damage under such policy nor to a broker acting as adjuster without compensation for a client for whom he is acting as broker, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under article nine of this chapter.

Any person, partnership, association or corporation violating any of the provisions of this section shall, in addition to any other penalty in this chapter provided, forfeit to the people of the state five hundred dollars.

§ 2. This act shall take effect immediately.

Chap. 203.

AN ACT to amend the insurance law, in relation to fraternal benefit societies.

Became a law April 7, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Subdivision two of section two hundred and forty-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter one hundred and ninety-eight of the laws of nineteen hundred and eleven, and amended by chapter four hundred and ten of the laws of nineteen hundred and thirteen, is hereby amended to read as follows:

2. In addition to the annual report herein required, each society shall report, annually, to the superintendent a valuation of its certificates in force on December thirty-first last preceding, excluding those issued within the year for which the report is filed, in cases where the contributions for the first year, in whole or in part, are used for current mortality and expenses; provided the first report of valuation shall be made as of December thirty-first, nineteen hundred and twelve. Such report of valuation shall show, as contingent liabilities, the present midyear value of the promised benefits provided in the constitution and laws of such society under certificates then subject to valuation; and, as contingent assets, the present midyear value of the future net contributions provided in the constitution and laws as the same are in practice actually collected, not including therein any value for the right to make extra assessments. Provided that any excess of the present value of future contributions over the present value of promised benefits under certificates providing for disability benefits (other than total permanent disability in combination with death benefits) shall not be allowed in reduction of the liability under other forms of certificates. At the option of any

society, in lieu of the above, the valuation may show the net value of the certificates subject to valuation, hereinbefore provided, and said net value, when computed in case of monthly contributions, may be the mean of the terminal values for the end of the preceding and of the current insurance year.

§ 2. Section two hundred and forty-five of such chapter, as added by chapter one hundred and ninety-eight of the laws of nineteen hundred and eleven, and amended by chapter four hundred and ten of the laws of nineteen hundred and thirteen, is hereby amended to read as follows:

§ 245. **Exemption of certain societies.** Nothing contained in this article shall be so construed as to effect or apply to grand or subordinate lodges of Masons, Odd Fellows, Knights of Pythias (exclusive of the insurance department of the supreme lodge Knights of Pythias), or to similar societies, orders or associations now doing business in this state which provide benefits exclusively through local or subordinate lodges, or to

(a) Orders, societies or associations which limit their admission to membership to any one hazardous occupation;

(b) Domestic societies which limit their membership to the employees of a particular city or town, designated firm, business house or corporation which provide for a death benefit of not more than four hundred dollars or disability benefits of not more than three hundred and fifty dollars to any one person in any one year, or both;

(c) Domestic societies or associations of a purely religious, charitable and benevolent description, which provide for a death benefit of not more than four hundred dollars or for disability benefits of not more than three hundred and fifty dollars to any one person in any one year, or both.

Provided, however, that any such society or association described in subdivisions b and c, which provides for death or disability benefits for which certificates are issued, and any such society or association included in subdivision c which has more than one thousand members, shall not be exempted from the provisions of this section or chapter, but shall comply with all the requirements thereof, and, provided further, that nothing in subdivisions a and b of subsection one of section two hundred and

thirty-one of this chapter, and subsections two, three, four, five, six and seven of section two hundred and forty-two of this chapter shall affect or apply to the Independent Order Free Sons of Israel or to any corporation, society, order or voluntary association, which was, prior to the first day of March, nineteen hundred and eleven, organized and doing business in this state on the lodge system, as provided in subsection two of section two hundred and thirty of this chapter which does not issue death benefit certificates in a sum exceeding five hundred dollars to any one member and whose membership is confined and limited exclusively to persons of one particular faith.

No society which, by the provisions of this section is exempt from the requirements of this article or chapter, except any society described in subdivision a, shall give or allow or promise to give or allow, to any person any compensation for procuring new members.

The superintendent of insurance may require from any society or association, by examination or otherwise, such information as will enable him to determine whether such society or association is exempt from the provisions of this article or chapter.

Any fraternal benefit society heretofore organized and incorporated and operating within the definitions set forth in section two hundred and thirty of this article providing for benefits in case of death or disability resulting solely from accidents, but which does not obligate itself to pay death or sick benefits, may be licensed under the provisions of this article and shall have all the privileges and be subject to all the provisions and regulations of this article, except that the provisions thereof requiring medical examinations, valuations of benefit certificates, and that the certificates shall specify the amount of benefits, shall not apply to such society.

§ 2. This act shall take effect immediately.

Chap. 204.

AN ACT to amend the insurance law, in relation to life, health and casualty corporations.

Became a law April 7, 1914, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section seventy of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter three hundred and two of the laws of nineteen hundred and nine, chapter six hundred and thirty-seven of the laws of nineteen hundred and ten, chapter three hundred and twenty-four of the laws of nineteen hundred and eleven, chapters two hundred and thirty-one and two hundred and thirty-two of the laws of nineteen hundred and twelve and chapter three hundred and four of the laws of nineteen hundred and thirteen, is hereby amended to read as follows:

§ 70. Incorporation. Thirteen or more persons may become a corporation for the purpose of making any of the following kinds of insurance:

1. Upon the lives or the health of persons and every insurance appertaining thereto, and to grant, purchase or dispose of annuities.

2. Against injury, disablement or death resulting from traveling or general accident, and against disablement resulting from sickness and every insurance appertaining thereto.

3. Insuring any one (a) against loss or damage resulting from accident to or injury suffered by an employee or other person and for which the person insured is liable, and (b) against loss or damage to property caused by horses or by any vehicle drawn by animal power, and for which loss or damage the person insured is liable.

4. Guaranteeing the fidelity of persons holding places of public or private trust. Guaranteeing the performance of contracts

other than insurance policies; guaranteeing the performance of insurance contracts where surety bonds are accepted by states or municipalities; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed.

4-a. Guaranteeing and indemnifying merchants, traders and those engaged in business, and giving credit from loss and damage by reason of giving and extending credit to their customers and those dealing with them; and corporations authorized to do such last named business in this subdivision mentioned shall have all the powers conferred by section one hundred and seventy-eight of this chapter.

5. Against loss by burglary, theft or forgery or any one or more of such hazards.

6. Upon glass against breakage.

7. Upon steam boilers and pipes, fly-wheels, engines and machinery connected therewith or operated thereby, against explosion and accident and against loss or damage to life or property resulting therefrom and against loss of use and occupancy caused thereby, and to make inspection of and to issue certificates of inspection upon such boilers, pipes, fly-wheels, engines and machinery.

8. Upon the lives of horses, cattle and other live stock or against loss by the theft of any of such property or both.

9. Against loss or damage to automobiles (except loss or damage by fire, or while being transported in any conveyance by land or water), including loss by legal liability for damage to property resulting from the maintenance and use of automobiles.

10. Against loss or damage by water to any goods or premises, arising from the breakage or leakage of sprinklers, pumps or other apparatus erected for extinguishing fires, and of water pipes, and against accidental injury to such sprinklers, pumps or other apparatus, and against damage from loss of use or occupancy of premises by reason of such breakage or leakage.

11. Against loss or damage to elevators or other property, excepting loss or damage by fire, caused by the maintenance, operation or use of elevators, and including loss by legal liability for damage to property resulting from such operation, maintenance

or use of elevators; by making and filing in the office of the superintendent of insurance a certificate signed by each of them, stating their intention to form a corporation for the purpose or purposes named in some one of the foregoing subdivisions specifying the subdivisions; and setting forth a copy of the charter which they propose to adopt, which shall state the name of the proposed corporation, the place where it is to be located, the kind of insurance to be undertaken, and under which of the foregoing subdivisions it is authorized, the mode and manner in which its corporate powers are to be exercised, the manner of electing its directors and officers, a majority of whom shall be citizens and residents of this state, the time of such elections, the manner of filling vacancies, the amount of its capital, if any, and such other particulars as may be necessary to explain and make manifest the objects and purposes of the corporation.

Such certificate shall be proved or acknowledged and recorded in a book to be kept for that purpose, and a certified copy thereof delivered to the persons executing the same. A mutual company without capital stock, may be organized for the purposes either separately or taken together, specified in the first and second subdivisions of this section. Except as above provided, no such corporation shall be formed under this article for the purpose of undertaking any other kind of insurance than that specified in some one of the foregoing subdivisions, or more kinds of insurance than are specified in a single subdivision; but a corporation other than a mutual corporation may be formed for all the purposes combined, or any two or more of them, specified in the first and second subdivision and clause (a) of the third subdivision, or for all the purposes combined, or any two or more of them specified in the second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth and eleventh subdivisions; provided, however, that policies under subdivision nine shall be issued only by companies authorized to issue policies under subdivisions two, three or five. No corporation or association shall transact, in connection with any other kind of insurance mentioned in the foregoing subdivisions, the business of guaranteeing and indemnifying merchants, traders and those engaged in business and giving credit from loss and damage by reason of giving and ex-

tending credit to their customers and those dealing with them, except such corporation or association as was authorized to transact such business before June first, nineteen hundred and five; but such corporation or association may continue to transact such business with all the powers and privileges theretofore possessed or enjoyed by it. No one policy issued by any one corporation shall embrace more kinds of insurance than are specified in one of such subdivisions, except that a policy may embrace risks specified in subdivisions one and two, and in subdivision two and clause (a) of subdivision three, and also that companies electing to issue policies under subdivision nine may embrace in one policy risks under subdivision two, clause (a) of subdivision three, and subdivisions five and nine, or either of them, and also that companies electing to issue policies on residences and private apartments may embrace in one policy risks under subdivisions three, five, six, seven, ten and eleven of this section, or any or either of them.

§ 2. This act shall take effect immediately.

INSURANCE DECISIONS

BY THE

COURT OF APPEALS

INSURANCE DECISIONS BY THE COURT OF APPEALS

EMMA A. TAYLOR, as Executrix of ROYAL A. JOHNSON, Deceased,
Respondent, v. NEW YORK LIFE INSURANCE COMPANY, Ap-
pellant.

Insurance (life) — part payment of premium, with note for balance thereof — when insurance extended thereby until death of insured — reversal of judgment entered on one of two causes of action — when such reversal does not operate as a bar, upon a new trial, to either cause of action.

1. The owner of a life policy in defendant company gave a note for the premium thereon, which contained this clause: "This note is given in part payment of the premium due Dec. 20th, 1898, on the above policy, with the understanding that all claims to further insurance, and all benefits whatever which full payment in cash of said premium would have secured, shall become immediately void and be forfeited to the New York Life Insurance Company if this note is not paid at maturity, except as otherwise provided in the policy itself." And at the same time the defendant gave to the insured a receipt which contained the following provision: "Received from the owner of Policy No. 709973 \$76.00 in cash, and his note at six months for \$228.00, which continues said policy in force until the twentieth day of December, 1899, at noon, in accordance with its terms and conditions, provided the above note is paid at maturity." When said note became due the insured paid to the defendant a further sum of \$76 in cash and the interest on said note, and gave to the defendant another note similar in form to the one quoted, which was accepted by it, and received a receipt in like form. The last-mentioned note was not paid when due, and it was subsequently canceled, but retained by the defendant. *Held*, that the statute (Insurance Law, § 88; Cons. Laws, chap. 28), policy and supplementary agreement contained in the notes and receipts should be construed together; that the intention of the insured to forfeit the moneys paid unless he paid the balance of the note at maturity is not clearly shown; that the reserve on the policy equitably belongs to the insured, and properly computed and applied, together with the sums paid as above, continued the policy until after the date of his death. (*Holly v. Metropolitan Life Ins. Co.*, 105 N. Y. 437, distinguished.)

2. In the action against the life insurance company the complaint alleged two causes of action, one on each of two policies. Judgment was directed for the plaintiff and the amount thereof was computed by the court upon one of the policies only. No judgment of any kind was entered in favor of defendant. Upon an appeal the judgment for plaintiff was affirmed by the Appellate Division but reversed by the Court of Appeals. *Held*, that when the judgment against the defendant, obtained in the first trial, was reversed it left the parties with their rights wholly unaffected by any previous adju-

dication; that there was no judgment in favor of the defendant upon either cause of action, or any determination amounting to an adjudication which is a bar upon the new trial, to either cause of action alleged in the complaint.

Taylor v. N. Y. Life Ins. Co., 153 App. Div. 940, affirmed.
(Argued May 7, 1913; decided June 3, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered December 11, 1912, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term, a jury having been waived.

The nature of the action and the facts, so far as material, are stated in the opinion.

James H. McIntosh, Jerome L. Cheney and Frank J. O'Neill for appellant.

Charles E. Spencer for respondent.

CULLEN, Ch. J., WERNER, WILLARD BARTLETT, HISCOCK, COLLIN and HOGAN, JJ., concur.

Judgment affirmed.

TITLE GUARANTEE AND TRUST COMPANY, Individually and as Executor of MARY A. MOTT, Deceased, Respondent, v. PHILIP SUGERMAN et al., Appellants, and GEORGE JOHNSTON, as Substituted Trustee, et al., Respondents.

Title Guarantee & Trust Co. v. Sugerman, 153 App. Div. 912, affirmed.
(Argued May 21, 1913; decided June 10, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered November 20, 1912, affirming a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term in an action to set aside a trust deed as void under the Statute of Uses and Trusts and as being void as part of a usurious transaction, to set aside a bond and mortgage of \$5,000 on the ground of usury, and to compel defendant, Royal Bank of New York, to surrender to the plaintiff a certificate for fifteen shares of the Metropolitan Plate Glass Company, on the ground it was pledged as collateral for the usurious loan upon the said \$5,000 bond and mortgage, and demanding judgment that defendants Sugerman and Royal

Bank surrender up and cancel of record the assignment and the bond and mortgage and deliver to plaintiff the fifteen shares of stock held by the Royal Bank of New York, claiming them all to be one transaction.

L. E. Warren for appellants.

George D. Bergener for plaintiff, respondent.

William B. Hurd, William H. Good and Frank G. Wild for defendants, respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, WILLARD BARTLETT, CHASE, CUDDEBACK and HOGAN, JJ. Taking no part: MILLER, J.

TOWN OF WHITESTOWN, Appellant and Respondent, *v.* THE TITLE GUARANTY AND SURETY COMPANY, Respondent and Appellant.

Town of Whitestown v. Title Guaranty & Surety Co., 148 App. Div. 900, affirmed.

(Argued May 23, 1913; decided June 10, 1913.)

CROSS-APPEALS from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department entered January 10, 1912, affirming a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term in an action to recover upon a fidelity bond.

G. C. Morehouse for plaintiff appellant and respondent.

George E. Dennison for defendant, respondent and appellant.

Judgment affirmed, without costs to either party; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, WILLARD BARTLETT, CHASE, CUDDEBACK, HOGAN and MILLER, JJ.

In the Matter of the Application of the FEDERAL UNION SURETY COMPANY, Appellant, to be Relieved from Liability on the Bond of HARRY S. DEWEY, as Receiver of the Firm of DIXON & DEWEY.

EUSTACE CONWAY, as Substituted Receiver of the Firm of DIXON & DEWEY, Respondent.

Reported below, 154 App. Div. 936.

(Argued October 20, 1913; decided October 28, 1913.)

MOTION to dismiss an appeal from an order and judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 24, 1913, affirming a final judgment in favor of respondent herein.

The motion was made upon the ground that the Court of Appeals had no jurisdiction to review the order or judgment appealed from.

F. Ferris Hewitt for motion.

Louis B. Eppstein opposed.

Motion denied, with ten dollars costs.

THE PEOPLE OF THE STATE OF NEW YORK ex rel. TITLE GUARANTEE AND TRUST COMPANY, Respondent, v. MAX S. GRIFFENHAGEN, as Register of the County of New York, Appellant.

People ex rel. Title G. & T. Co. v. Griffenhagen, 156 App. Div. 854, affirmed. (Argued October 20, 1913; decided October 31, 1913.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered May 29, 1913, which affirmed an order of Special Term granting a motion for a peremptory writ of mandamus to compel defendant to receive and record a certain mortgage which he had refused to record on the ground that the relator had not complied with the provisions of section 256 of the Tax Law in regard to indeterminate mortgages.

Thomas Carmody, Attorney-General (*Henry Selden Bacon*, *Joseph A. Kellogg* and *Edward G. Griffin* of counsel), for appellant.

Harold Swain and *Hamilton C. Rickaby* for respondent.

Order affirmed, with costs, on opinion of McLAUGHLIN, J., below.

CONCUR: CULLEN, Ch. J., GRAY, COLLIN, CUDDEBACK, HOGAN and MILLER, JJ. Absent: WERNER, J.

SOPHIA LIESNY, Respondent, v. METROPOLITAN LIFE INSURANCE COMPANY, Appellant.

Liesny v. Metropolitan Life Ins. Co., 147 App. Div. 253, appeal dismissed. (Submitted December 11, 1913; decided December 16, 1913.)

APPEAL from an order of the Appellate Division of the Supreme Court in the fourth judicial department, entered November 15, 1911, reversing a judgment in favor of defendant entered upon a verdict and granting a new trial in an action to recover upon a policy of life insurance.

J. W. Rayhill for appellant.

William F. Dowling for respondent.

Appeal dismissed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., WERNER, HISCOCK, CHASE, COLLIN, CUDDEBACK and HOGAN, JJ.

KLINE BROTHERS & COMPANY, Respondent, *v.* THE GERMAN UNION FIRE INSURANCE COMPANY OF BALTIMORE, Appellant.
Kline Brothers & Co. v. German Union Fire Ins. Co., — App. Div. —, affirmed.

(Submitted December 9, 1913; decided December 30, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered December 6, 1911, affirming a judgment in favor of plaintiff entered upon a verdict in an action upon a policy of fire insurance.

Arnold L. Davis and *N. Raymond Heater* for appellant.

Frederick M. Czaki and *Marion Erwin* for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., WERNER, HISCOCK, CHASE, COLLIN, CUDDEBACK and HOGAN, JJ.

DANIEL S. BRASSIL, Respondent, *v.* MARYLAND CASUALTY COMPANY, Appellant.

Insurance (liability) — failure of insurer to appeal from judgment against insured in action for injuries to employee — when insured who prosecuted such appeal and succeeded may recover expenses thereof although in excess of amount of policy.

Defendant insured plaintiff for \$1,500 against loss from common-law or statutory liability for damages on account of bodily injuries to any one of his employees. Two actions were brought against plaintiff, one for damages sustained by the injured employee, and the other for loss of service sustained

by the father. Plaintiffs in those actions made overtures for settlement of both for \$1,500. Plaintiff, being willing to settle upon that basis, communicated the fact to defendant. Under the terms of its policy defendant declined plaintiff's proposition and elected to defend at its own cost through its own counsel. Judgments were recovered against plaintiff for upwards of \$6,000. Defendant refused to appeal, but offered \$1,500 to plaintiff on condition that the judgments should be first satisfied. Then plaintiff took an appeal which resulted in a reversal of the judgments and a dismissal of the complaints. This action is to recover what plaintiff expended in prosecuting the appeals. *Held*, that the case is not one in which the rights of the plaintiff or the obligations of the defendant are to be looked for in the letter of the contract of insurance; that the defendant's failure to appeal from the judgments against the plaintiff was in effect a breach of its contract, and that in the circumstances defendant is liable for failure to carry out in good faith the stipulations of its written contract.

Brassil v. Maryland Casualty Co., 147 App. Div. 815, affirmed.
(Argued February 3, 1914; decided February 24, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 4, 1912, affirming a judgment in favor of plaintiff entered upon a verdict.

In June, 1899, the defendant, a casualty insurance company, issued to the plaintiff its policy of insurance whereby it agreed, in consideration of the stipulated premium, to indemnify the plaintiff "against loss from common law or statutory liability for damages on account of bodily injuries" suffered by any of his employees. The limit of its liability for an accident to any one employee was fixed at \$1,500. During the term of the policy, one of the plaintiff's employees, a young man named Loughlin, under the age of twenty-one, was injured. He and his father commenced actions against the plaintiff to recover damages on account of the accident. While these actions were pending, the plaintiff received an offer from the attorneys for the Loughlins stating that they would settle the actions for \$1,500. This the plaintiff communicated to the defendant, and requested and urged its permission to settle upon that basis. The defendant refused the request upon the ground that the sum named was excessive. It elected to defend the actions, as it had the right to do under the provisions of the policy, and the actions proceeded to trial, the defendant taking control of the defense thereof. They resulted in judgments against the plaintiff here aggregating over \$6,000.

After all this had transpired, and the plaintiff had been thus mulcted in damages exceeding by \$4,500 the amount for which he was insured, the defendant wrote to the plaintiff stating that it did not consider an appeal would be advantageous, that it would not prosecute an appeal, but "holds itself ready to comply with the terms of its contract with you in case you should satisfy the judgment rendered against you." It further signified its willingness to permit the plaintiff to substitute his own attorney to prosecute an appeal. To this letter the plaintiff replied, in substance, that inasmuch as the defendant had refused the offer to compromise the Loughlin suits for \$1,500, and through its conduct had inflicted a much greater liability upon him, he would hold the defendant liable for the full amount.

Thereafter the plaintiff, through his own attorney, appealed from the main Loughlin judgment to the Appellate Division of the Supreme Court, where it was unanimously affirmed. He procured leave to appeal to this court, and here the judgment was reversed for errors committed upon the trial and a new trial was ordered. (*Loughlin v. Brassil*, 187 N. Y. 128.) No new trial was had, however, and the Loughlin actions were subsequently dismissed for want of prosecution.

This action was then commenced to recover from the defendant the expense to which the plaintiff had been subjected in prosecuting the appeal from the Loughlin judgment, including his attorney's fees amounting, as claimed by the plaintiff, to \$2,611. He recovered a judgment of \$2,211. On appeal by the defendant from that judgment to the Appellate Division there was an affirmance. The defendant has now appealed to this court.

The policy first insured the plaintiff "against loss from common law or statutory liability for damages" to his employees. It then contained certain clauses called "special agreements," among which was a limitation of \$1,500 for any accident to an employee. The other "special agreements" have no bearing upon this controversy. Attached to the policy and printed on the reverse side thereof were a number of so-called "conditions precedent." Among these conditions were the following:

"2. If * * * any suit is brought against the Assured to enforce a claim for damages on account of an accident covered

by this policy, immediate notice thereof shall be given to the Company, and the Company will defend against such proceeding, in the name and on behalf of the Assured, or settle the same at its own cost, unless it shall elect to pay the Assured the indemnity provided for.

"3. The Assured shall not settle any claim, except at his own cost, nor incur any expense, nor interfere in any negotiation or settlement or in any legal proceeding without the consent of the Company previously obtained in writing. * * *

"8. No action shall lie against the Company as respects any loss under this Policy unless it shall be brought by the Assured himself to reimburse him for loss actually sustained and paid by him in satisfaction of a judgment after trial of the issue. No such action shall lie unless brought within the period within which a claimant might sue the Assured for damages unless at the expiry of such period there is such an action pending against the Assured, in which case an action may be brought against the Company by the Assured within thirty days after final judgment has been rendered and satisfied as above. In no case except that of minors shall any action lie against the Company after the expiration of six years from the date of the given injuries or death. The Company does not prejudice by this clause any defenses to such action which it may be entitled to make under this policy."

James J. Mahoney and George I. Wooley for appellant.

Thomas F. Wagner for respondent.

WILLARD BARTLETT, Ch. J., HISCOCK, CHASE and COLLIN, JJ., concur; MILLER, J., not sitting.

Judgment affirmed.

RACHEL M. PROPER, Appellant, *v.* THE SCHOHARIE AND SCHENECTADY COUNTIES FARMERS' MUTUAL FIRE INSURANCE ASSOCIATION, Respondent.

Proper v. Schoharie & Schenectady Counties Farmers Mut. Fire Ins. Assn., 147 App. Div. 928, affirmed.

(Argued February 3, 1914; decided February 24, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered November

24, 1911, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term in an action to recover on a policy of fire insurance.

Lewis E. Carr, C. E. Nichols and Clyde H. Proper for appellant.

George M. Palmer for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: WILLARD BARTLETT, Ch. J., WERNER, HISCOCK, COLLIN, CUDEBACK, HOGAN and MILLER, JJ.

MARY C. WILCOX, Respondent, v. SUPREME COUNCIL OF THE
ROYAL ARCANUM, Appellant.

Benefit associations — expulsion of member of fraternal insurance association after trial before committee of association — jurisdiction — disqualification of members of committee for bias, prejudice and interest — when courts will examine proceedings and hold expulsion void for disqualification of committee.

1. Where a member of a fraternal insurance association is expelled from the association upon charges, and the expulsion proceedings are conducted strictly in accordance with the laws of the order, the courts cannot review the proceedings or re-examine the merits of the expulsion.
2. In an action, however, brought against such an association, after the death of such expelled member, by the beneficiary named in the benefit certificate to recover the amount payable under its terms, the courts may determine whether the expelled member was tried according to the law of the land, and in particular whether his judges were disqualified and, therefore, without jurisdiction.
3. Charges were preferred against deceased in his lifetime upon the ground that he had violated the general laws of the order in that, in substance, among other things, he had charged the supreme council of the order and its officers with graft, fraud and dishonesty. The supreme regent of the order thereupon appointed a committee, consisting of three members of such supreme council, to try the charges against deceased. He objected to the jurisdiction of the committee on the ground of bias, prejudice and interest. This objection having been overruled, he interposed an answer in which he denied that he was guilty of the charges alleged in the complaint. The committee found him guilty of the charges above named and he was expelled from the society. *Held*, that where, as in this case, there is no remedy by direct review, this action will lie and that a disqualification for interest should deprive the committee of jurisdiction; that the members of the committee were disqualified, by a direct interest in the subject-matter of the controversy, to act as judges in the trial of deceased upon such

charges; that the order expelling him from the society was invalid, and that the judgment of the trial court in this action against the association for the amount due under the certificate insuring deceased should be affirmed. (*Foot v. Stiles*, 57 N. Y. 399, distinguished.)

Wilcox v. Royal Arcanum, 151 App. Div. 297, affirmed.
(Argued January 26, 1914; decided February 24, 1914.)

APPEAL from a judgment entered May 21, 1912, upon an order of the Appellate Division of the Supreme Court in the third judicial department, which reversed an order of the court at a Trial Term setting aside a previously directed verdict in favor of plaintiff and granting a new trial, and reinstated said verdict.

Frank Z. Wilcox was expelled from the Royal Arcanum on the 15th of March, 1906. On appeal to the supreme council the order of expulsion was affirmed. Thereupon he commenced mandamus proceedings to compel reinstatement to membership, but died during the pendency of the proceedings. This action was then brought by his widow, the beneficiary named in the benefit certificate held by him, to recover the sum of \$3,000, the amount payable to her according to the terms of said certificate. The defendant is a fraternal corporation created under the laws of the state of Massachusetts. Its highest legislative body is the supreme council, consisting of 115 members. Charges were preferred against the deceased, a member of a subordinate council, to the supreme regent, the highest executive officer of the defendant, to the effect that the deceased had been guilty of a violation of section 627 of the general laws of the Royal Arcanum, in that he had been guilty of improper conduct violative of his duties and obligations, and of conduct unbecoming his profession as a member of the order. In support of that charge three specifications were made, viz.: (1) and (2) that he had violated subdivision 2 of section 612 of the general laws in that he had published or caused to be published in certain newspapers defamatory interviews attacking the supreme council and its officers, and charging them with graft, fraud and dishonesty, and (3) that he had openly denounced the supreme council, and charged its officers with being grafters, thieves and robbers at a meeting of one of the subordinate councils. It was alleged that said statements and utterances were absolutely false and untrue and without any foundation in fact. The supreme regent thereupon appointed a trial committee,

consisting of three members of the supreme council, to whom he referred the said charges for trial. The deceased objected to the jurisdiction of the committee on the ground of disqualification for bias, prejudice and interest. The objection being overruled, he interposed an answer, in which among other things he denied that he was guilty of the charges alleged in the complaint. The committee found the deceased guilty of the first and second specifications and not guilty of the third, and recommended his expulsion. In their report they said that the deceased had sought to reflect upon the individual members of the supreme council and not the corporate body itself.

The important provisions of the laws of the order necessary to note are the following:

"Section 612, subd. 2. No circular, resolution or document abusive of any officer in the Order, or any appeal for money or assistance through any lottery scheme, shall be published, issued or circulated by any Council or member of the Order.

"Section 627. A member who shall be guilty of any immoral practice or improper conduct, violative of his duties, or of the obligation, and unbecoming his profession as a member of the Order, or of the excessive use of intoxicating liquors, or who shall enter his Council in a state of intoxication, or who shall attempt to commit suicide, or who shall assign or transfer his Benefit Certificate to his creditor in payment of or as security for his indebtedness to such creditor, shall, upon conviction thereof, be suspended or expelled.

"Section 652. When any charge is referred for trial by the Supreme or Grand Regent, a Trial Committee shall be appointed by the officer so referring, to consist of not less than three and not more than five members of the Order, who shall, if practicable, be members of the Supreme or Grand Council, presided over by the officer referring the charge."

Howard C. Wiggins for appellant.

Stewart F. Hancock for respondent.

WILLARD BARTLETT, Ch. J., WERNER, HISCOCK, CHASE and COLLIN, JJ., concur; HOGAN, J., not sitting.

Judgment affirmed.

DORY OSTERHOUDT, Respondent, v. THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA, Appellant.

Reported below, 159 App. Div. 291.

(Argued February 23, 1914; decided March 3, 1914.)

MOTION to dismiss an appeal, by permission, from an order of the Appellate Division of the Supreme Court in the third judicial department, entered December 1, 1913, which reversed an order of the Ulster County Court denying a motion for an order adjudging defendant in contempt, striking out its answer and directing judgment for plaintiff in an action to recover upon a policy of life insurance.

The motion was made upon the ground that the order appealed from was discretionary and not appealable to the Court of Appeals.

John D. Eckert for motion.

Palmer Canfield, Jr., opposed.

Motion denied, with ten dollars costs.

UTICA SANITARY MILK COMPANY, Respondent, v. CASUALTY
COMPANY OF AMERICA, Appellant.

Insurance (accident) — insufficiency of notice of accident — duty of one acting on behalf of both insurer and insured.

The same person was treasurer and manager of plaintiff, which was holder of an employer's liability insurance policy, and also general agent of the defendant, the insurance company which issued the policy, and it was part of his duty to report to defendant any accident which might result in a claim against the company. *Held*, that upon failure of plaintiff to give notice of an accident to defendant, as required by the policy, the knowledge of the person so acting in a dual capacity cannot be imputed to defendant or be held ground for dispensing with the written notice which the policy required.

Utica Sanitary Milk Co. v. Casualty Co., 152 App. Div. 898, reversed.

(Submitted February 6, 1914; decided March 3, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered July 17, 1912, modifying, and affirming as modified, a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term.

The defendant, on or about March 24, 1910, issued to the plaintiff a policy of employers' liability insurance, whereby the defendant agreed to indemnify the plaintiff for twelve months thereafter from loss or liability arising from accident or injury to any of the plaintiff's employees up to a fixed amount.

The policy contained the following provision: "The assured upon the occurrence of a casualty covered hereby shall give immediate written notice thereof, with the fullest information obtainable at the time, to the company's duly authorized local agent, or to its home office in New York City."

On or about July 16, 1910, an accident occurred to one of the plaintiff's employees named Clark, whereby he suffered a fracture of the leg, which was a casualty within the meaning of the policy. No written notice of the accident was given to the defendant until December 5, 1910.

The insurance was effected through one Albert R. Hatfield, the general agent of the defendant for the city of Utica and vicinity, and it was a part of his duty to report to the defendant any accident which might result in a claim against the company. Hatfield was a stock-holder and director of the plaintiff, and was also its treasurer and general manager. He had control over the plaintiff's business, which consisted of selling and delivering milk in Utica. The fact that Hatfield was the trustee and manager of the plaintiff was known to the defendant at the time of the accident and for some time prior thereto. Hatfield knew of the accident on the day it occurred, as did also the plaintiff's president.

The court also found that the notice required by the policy was not given, because the plaintiff believed that no claim would be made by Clark on account of his injury. The plaintiff paid to the injured man his wages for the three months succeeding the accident when he did not work, and on August 26, 1910, took from him a written statement to the effect that the plaintiff was free from all liability on account of his injuries.

Sometime later Clark made a claim upon the plaintiff for damages, and Hatfield, on December 5, 1910, gave the defendant notice of the claim by mail. This was the first notice the defendant had of the accident. Subsequently Clark sued the plaintiff, and the defendant, the casualty company, refused to undertake the defense of the action, because it had not received notice

of the action, in accordance with the provisions of the policy. The action resulted in a judgment against the milk company, the plaintiff here, and this suit was brought by it to recover from the defendant casualty company, the amount of the judgment and the costs of defending the action.

The court found that the condition of the policy requiring immediate notice to be given of any casualty covered thereby was not waived, but decided as matter of law that no such notice was required because Hatfield, the local agent of the defendant, had actual knowledge of the accident and ordered judgment for the plaintiff.

Charles P. Ryan for appellant.

James H. Merwin for respondent.

WILLARD BARTLETT, Ch. J., HISCOCK, COLLIN, HOGAN and MILLER, JJ., concur; WERNER, J., absent.

Judgment reversed, etc.

GUIDO CONSENTINO, Respondent, v. ILLINOIS SURETY COMPANY,
Appellant.

Banking — deposit of money for transfer to postal treasury of foreign country — depositor cannot recover against surety of absconding banker in absence of evidence that money was not so transferred.

A private banker engaged in the business of selling transportation tickets to foreign countries and of receiving deposits of money for the purpose of transmitting the same, or the equivalent thereof, to foreign countries, gave (L. 1907, ch. 185) a bond to account for and pay over all moneys, or the equivalent thereof, received by him as aforesaid. Thereafter, he received from the plaintiff a sum of money to deposit in the postal treasury of the Kingdom of Italy, and at the time that he gave the receipt therefor to plaintiff he said, in substance, that in a period of four weeks plaintiff would receive from Rome the bank book for such deposit. Less than a month later, the banker absconded, and the plaintiff, who has never received the bank book for his deposit, brings this action against the surety, upon the bond of the banker, to recover the amount of the deposit. Upon the trial, plaintiff proved the facts above stated, but gave no evidence to show that the banker did not deposit the money according to his agreement. *Held*, that the plaintiff cannot recover; that the fact that the bank book has not been delivered to the plaintiff is not, in itself, sufficient evidence of default in the condition of the bond to sustain a judgment against the defendant surety.

Consentino v. Illinois Surety Co., 152 App. Div. 933, reversed.
(Argued March 9, 1914; decided March 31, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered October 4, 1912, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court.

The nature of the action and the facts, so far as material, are stated in the opinion.

Nelson L. Keach for appellant.

Achille J. Oishei for respondent.

HISCOCK, COLLIN and CUDDEBACK, JJ., concur with CHASE, J.; WILLARD BARTLETT, Ch. J., and CARDOZO, J., concur with MILLER, J.

Judgment reversed, etc.

FRANCESCO RAMMAURO, Respondent, *v.* ILLINOIS SURETY COMPANY, Appellant.

Rammauro v. Illinois Surety Co., 152 App. Div. 934, affirmed.

(Argued March 9, 1914; decided March 31, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered October 8, 1912, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action upon a surety bond.

Nelson L. Keach for appellant.

Achille J. Oishei for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: WILLARD BARTLETT, Ch. J., HISCOCK, CHASE, COLLIN, CUDDEBACK, MILLER and CARDOZO, JJ.

MAX WIENER, Respondent, *v.* HOME TITLE INSURANCE COMPANY OF NEW YORK, Appellant.

Wiener v. Home Title Ins. Co. of N. Y., 153 App. Div. 895, affirmed.

(Argued March 12, 1914; decided March 31, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered November 12, 1912, affirming a judgment in favor of plaintiff entered upon

a verdict in an action to recover damages alleged to have been occasioned plaintiff's assignee through the fraud and deceit of defendant.

George G. Reynolds and *Henry Joralemon Davenport* for appellant.

John Bogart and *Abraham P. Wilkes* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HISCOCK, CHASE, COLLIN, CUDDEBACK and CARDOZO, JJ. Absent: WILLARD BARTLETT, Ch. J. Not sitting: MILLER, J.

AMPERSAND HOTEL COMPANY, Respondent, *v.* GERMAN-AMERICAN
INSURANCE COMPANY, Appellant, Impleaded with Another.

Ampersand Hotel Co. v. German-American Ins. Co., 153 App. Div. 930, affirmed.

(Argued March 16, 1914; decided March 31, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered November 25, 1912, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action upon a policy of fire insurance.

Hartwell Cabell for appellant.

William B. Ellison for respondent.

Judgment affirmed, with costs; no opinion.

Concur: WILLARD BARTLETT, Ch. J., HISCOCK, CHASE, CUDDEBACK, MILLER and CARDOZO, JJ.

AMPERSAND HOTEL COMPANY, Respondent, *v.* CONNECTICUT FIRE
INSURANCE COMPANY, Appellant, Impleaded with Another.

Ampersand Hotel Co v. Connecticut Fire Ins. Co., 153 App. Div. 930, affirmed.

(Argued March 16, 1914; decided March 31, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered No-

vember 25, 1912, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action upon a policy of fire insurance.

Hartwell Cabell for appellant.

William B. Ellison for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: WILLARD BARTLETT, Ch. J., HISCOCK, CHASE, CUDDEBACK, MILLER and CARDOZO, JJ.

HATTIE A. THAYER, Appellant, *v.* FARMERS' FIRE INSURANCE
ASSOCIATION, Respondent.

Thayer v. Farmers' Fire Ins. Association, 151 App. Div. 948, affirmed.
(Argued March 20, 1914; decided April 3, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered July 5, 1912, affirming a judgment in favor of defendant entered upon a verdict in an action to recover upon a policy of fire insurance.

Walter E. Ward for appellant.

Danforth E. Ainsworth for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: WILLARD BARTLETT, Ch. J., HISCOCK, CHASE, CUDDEBACK, HOGAN, MILLER and CARDOZO, JJ.

LILLIAN E. HAYES, Appellant, *v.* NEW YORK LIFE INSURANCE
COMPANY, Respondent.

Insurance (life) — right to have policy reinstated after default in payment of premium — acts which operate as a waiver of that right.

Plaintiff is the beneficiary under a policy of life insurance which contained a provision that in the event of non-payment of premium when due the policy might be reinstated upon certain conditions within six months thereafter. A note which contained a provision in effect that, except as to surrender value, the policy would be forfeited if the note was not paid at maturity, was given in payment of part of a quarterly premium. The note not having been paid when due defendant refused to reinstate the policy on application made therefor, returning the amount deposited by the insured for that purpose, and subsequently canceled the policy, mailing a check to

the insured for its surrender value, less a loan which it had made to the insured, the non-payment of which also authorized the cancellation of the policy. The insured and the beneficiary indorsed the check, which was payable to them jointly, and it was retained by them until after the death of the insured, although not presented for payment. *Held*, that these acts operated as a waiver by the insured of any rights secured to him by the terms of the policy for extended insurance thereunder.

Hayes v. N. Y. Life Ins. Co., 150 App. Div. 927, affirmed.
(Argued February 10, 1914; decided April 14, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered May 22, 1912, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court on trial at Special Term.

The nature of the action and the facts, so far as material, are stated in the opinion.

Louis Marshall and *Abraham Benedict* for appellant.

James H. McIntosh for respondent.

WILLARD BARTLETT, Ch. J., HISCOCK, CUDDEBACK and CARDOZO, JJ., concur; CHASE, J., concurs in result; MILLER, J., not sitting.

Judgment affirmed, etc.

UNITED SURETY COMPANY, Respondent, *v.* DANIEL MEENAN,
Appellant.

Contract—construction of instrument given to indemnify surety company upon bond given by latter company to guarantee faithful performance of contract by construction company—evidence—parol evidence tending to show meaning of ambiguous contract admissible.

This action is brought against the appellant and another, not served, to recover the annual premium on a bond executed by plaintiff, which premium it is claimed by plaintiff was agreed to be paid by the defendants by virtue of an instrument which upon its face recites that the undersigned have requested the surety company to execute a bond or undertaking in behalf of the Gore-Meenan Company for the construction of certain work, and an agreement to pay the premium named therein annually, and to indemnify and keep indemnified the surety company against any and all demands and liabilities, etc. The instrument also contains the language: "That this agreement shall bind, not only the undersigned jointly and severally, but also our respective heirs, executors, administrators, *successors* and assigns." At the close of the instrument is found the signatures of the defendants and the seal of their corporation. An acknowledgment was made by de-

fendant Gore, described as "president of the Gore-Meenan Co;" followed by an acknowledgment made by the defendant Meenan, "*who did depose that he was the secretary of the Gore-Meenan Company, the corporation described in and which executed the foregoing instrument,*" reciting also that the seal is affixed by order of the corporation. In an action against Meenan and Gore individually to recover the amount of an unpaid premium, *held*, that the instrument in suit was not free from ambiguity, and that parol evidence was admissible to prove the circumstances under which the same was executed, also to establish facts disclosing knowledge of the plaintiff that the purpose of the instrument in suit was to bind the corporation and not the defendant in this suit.

United Surety Co. v. Meenan, 151 App. Div. 942, reversed.
(Argued February 4, 1914; decided April 14, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered July 8, 1912, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court.

June 17th, 1909, the Gore-Meenan Company, of which Frank E. Gore was president, and the defendant Daniel Meenan was secretary, together with the respondent, executed a bond to Benjamin B. Odell, Jr., and William E. Paine, as receivers of the Thomas McNally Company, in the sum of one hundred thousand dollars, which recited that the Gore-Meenan Company had entered into a contract with said receivers, bearing date the 15th day of June, 1909, whereby said company had been employed by said receivers to construct part of the Catskill aqueduct between Garrison and Peekskill, as shown on the contract drawing for contract number two between the McNally Company and the city of New York. The condition of the obligation was that the Gore-Meenan Company should faithfully perform the contract and pay bills for labor performed and materials furnished. This bond was executed by the Gore-Meenan Company by Gore as president.

The first premium for six months of 1909 and six months of 1910, to wit, for one year, was paid by a check made by the Gore-Meenan Company to the order of the plaintiff for \$2,500, dated June 21, 1909.

It appears by the record that on the 22nd day of June, 1909, five days subsequent to the bond spoken of above, an application was made by the Gore-Meenan Company to the United Surety Company for a bond on behalf of the Gore-Meenan Company to

be executed by Frank E. Gore and Daniel Meenan, as officers of said company; the amount of said bond was to be one hundred thousand dollars, and the nature of the contract was the same as that referred to in the bond above mentioned. Attached to said application was a statement of the assets and liabilities of the Gore-Meenan Company, which disclosed assets of \$191,010, and liabilities exclusive of capital stock of \$8,750. The application contained a covenant to pay \$2,500 per annum in advance to the plaintiff for executing said bond, and with a requirement that the Gore-Meenan Company would indemnify and save harmless the United Surety Company by reason thereof. This application was executed in the name of the Gore-Meenan Company by Frank E. Gore, president.

June 23, 1909, the day following the application referred to, the instrument in suit was executed, which upon its face recites that the undersigned have requested the surety company to execute a bond or undertaking in the sum of one hundred thousand dollars in behalf of the Gore-Meenan Company and in favor of the receivers for the construction of the work hereinbefore mentioned, an agreement to pay the premium of \$2,500 annually on the 17th day of June of each year, and to indemnify and keep indemnified the surety company against any and all demands and liabilities, etc.

The instrument also contains the language: "That this agreement shall bind, not only the undersigned jointly and severally, but also our respective heirs, executors, administrators, *successors* and assigns (as the case may be) until the Company shall have executed a release under its corporate seal, attested by the signature of its officers proper for the purpose."

Following the date of the instrument it is signed "Daniel Meenan," the signature extending over the word "seal," "P. O. Address 35 West 88 St., City," and "Frank E. Gore (seal), P. O. Address 795 St. Nicholas Ave., City," and also the imprint of a seal, bearing upon its face "Gore-Meenan Co. New York," and in the center thereof "Incorporated 1907." Then follows the following acknowledgments before Philip O. Bischoff, notary public:

"STATE OF NEW YORK,
COUNTY OF NEW YORK, } ss.

"On this 23 day of June, 1909, before me personally came Frank E. Gore, President of the Gore-Meenan Co., to me personally known and known to me to be the individual described in and who executed the foregoing agreement and he acknowledged that he executed the same.

"PHILIP O. BISCHOFF,
"Notary Public No. 82 Kings Co., N. Y.
"Registered N. Y. County."

"STATE OF NEW YORK,
COUNTY OF NEW YORK, } ss.

"On the 23 day of June in the year 1909, before me personally came Daniel Meenan; to me known, who being by me duly sworn, did depose and say: that he resides in 35 West 88 St. N. Y. City; that he is the Secretary of the ———, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the said corporation and that he signed his name to the said instrument by like order.

"PHILIP O. BISCHOFF,
"Notary Public No. 82 Kings Co., N. Y.
"Registered N. Y. County."

This action was brought against Meenan and Gore individually, though Gore was not served in the action, to recover the sum of \$2,500, with interest from the 17th day of June, 1910, being the premium for one year from that date. The defendant Meenan answered denying that he had executed such bond. At the close of the case judgment was directed for plaintiff against Meenan, and upon appeal therefrom the judgment was affirmed by the Appellate Division.

H. Snowden Marshall, James A. O'Gorman and Isaac H. Levy for appellant.

Emanuel Blumenstiel and Milton M. Blumenthal for respondent.

WILLARD BARTLETT, Ch. J., WERNER, COLLIN and CUDDEBACK, JJ., concur; HISCOCK, J., dissenting; MILLER, J., not sitting.

Judgment reversed, etc.

THE PEOPLE OF THE STATE OF NEW YORK, Plaintiff, *v.* THE
METROPOLITAN SURETY COMPANY, Defendant.

In the Matter of THE H. B. SMITH COMPANY, Appellant, *v.*
JOHN F. YAWGER, as Receiver of the METROPOLITAN SURETY
COMPANY, Respondent.

Bonds — liability of surety company upon bond given for contractor agreeing to erect buildings for United States government under United States statute authorizing contract and requiring contractor to give bond to secure payment for labor and materials furnished for buildings — surety company not liable unless claim has been put in judgment as required by the statute.

1. An act of Congress, which authorizes or creates a new cause of action and prescribes the limitations thereof and of its enforcement, makes those limitations conditions of the liability itself. Such an act is not a statute of limitations, and a compliance with the conditions which it prescribes is indispensable to the enforcement of the right it creates.
2. The defendant surety company became surety for a construction company which contracted with the United States government to construct certain buildings at West Point. The statute authorizing the contract provided for a bond from the contractor with the obligation that it would promptly make payments to all persons supplying it with labor and materials, and contained the following conditions of recovery thereon: (a) That the claimants be made parties to an action brought by the United States upon the bond, by intervention or directly, in order that all rights and claims might be adjudicated; (b) that during a specified period from the completion and final settlement of the contract, in case the United States had not brought an action, a claimant should bring suit in its name in the Federal court; (c) that only one action should ever be brought upon the bond, in which the requisite notice should be given to all known creditors and all creditors should be permitted to file their claims in such action and be made parties thereto within one year from the completion of the work under the contract, and not later. Under this statute a judgment in an action prescribed by and conducted in accordance with the requirements of the statute could alone render the bond complete and absolute. The means of enforcement define both the right of the claimant and the liability of the surety which it was the intention of Congress to create, and no recovery can be had upon the bond until the conditions imposed by the statute have been complied with.

People v. Metropolitan Surety Co., 159 App. Div. 929, affirmed.
(Submitted February 25, 1914; decided April 14, 1914.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the third judicial department, entered November 25, 1913, which reversed an order of Special Term confirming the report of a referee and allowing against the receiver of the Metropolitan Surety Company the claim of the appellant for the sum of \$1,631.40.

The Appellate Division certified the two questions:

1. At the date of the insolvency of the defendant, the Metropolitan Surety Company, January 6, 1909, had the claim of the claimant, the H. B. Smith Company, so far ripened as to entitle the claimant to any share in the distribution of the assets in the hands of the receiver?

2. If said claim had so ripened, must the defendant's liability thereon first be determined in the manner prescribed by the United States statute under which the bond on which said claim is based was given, that is, by a suit brought in the Circuit Court of the United States for the Southern District of New York?

The questions spring from the following facts: August 26, 1905, the Church Construction Company, a corporation, contracted in writing with the United States to construct named buildings at West Point, New York. The statute (Act of February 24, 1905, ch. 778; 32 U. S. Stat. L. 811) required that the company before commencing the work execute "the usual penal bond, with good and sufficient sureties, with the additional obligation that" it would "promptly make payments to all persons supplying" it with labor and materials in the prosecution of the work, and provided: "Any person, company or corporation who has furnished labor or materials used in the construction or repair of any public building or public work, the payment for which has not been made, shall have the right to intervene and be made a party to any action instituted by the United States on the bond of the contractor, and to have their rights and claims adjudicated in such action and judgment rendered thereon, subject, however, to the priority of the claim and judgment of the United States. If the full amount of the liability of the surety on said bond is insufficient to pay the full amount of said claims and demands, then, after paying the full amount due the United States, the remainder shall be distributed *pro rata* among said intervenors. If no suit should be brought by the United States within six months from the completion and final settlement of said contract, then the person or persons supplying the contractor with labor and materials shall, upon application therefor, and furnishing affidavit to the department under the direction of

which said work has been prosecuted that labor or materials for the prosecution of such work has been supplied by him or them, and payment for which has not been made, be furnished with a certified copy of said contract and bond, upon which he or they shall have a right of action, and shall be, and are hereby authorized to bring suit in the name of the United States in the Circuit Court of the United States in the district in which said contract was to be performed and executed, irrespective of the amount in controversy in such suit, and not elsewhere, for his or their use and benefit, against said contractor and his sureties, and to prosecute the same to final judgment and execution; *Provided*, That where suit is instituted by any of such creditors on the bond of the contractor it shall not be commenced until after the complete performance of said contract and final settlement thereof, and shall be commenced within one year after the performance and final settlement of said contract, and not later; *And provided further*, that where suit is so instituted by a creditor or by creditors, only one action shall be brought, and any creditor may file his claim in such action and be made party thereto within one year from the completion of the work under said contract, and not later. If the recovery on the bond should be inadequate to pay the amounts found due to all of said creditors, judgment shall be given to each creditor *pro rata* of the amount of the recovery. The surety on said bond may pay into court, for distribution among said claimants and creditors, the full amount of the sureties' liability, to wit, the penalty named in the bond, less any amount which said surety may have had to pay to the United States by reason of the execution of said bond, and upon so doing the surety will be relieved from further liability; *Provided further*, That in all suits instituted under the provisions of this act such personal notice of the pendency of such suits, informing them of their rights to intervene as the Court may order, shall be given to all known creditors, and in addition thereto notice of publication in some newspaper of general circulation, published in the state or town where the contract is being performed, for at least three successive weeks, the last publication to be at least three months before the time limited therefor."

In obedience to the statute the company as principal and the Metropolitan Surety Company as surety executed a bond to the United States in the penal sum of \$134,000, reciting the contract between the company and the United States and containing the condition, in effect, that it should be void if the company performed in full the contract and "shall promptly make full payments to all persons supplying it labor or materials in the prosecution of the work provided for in said contract." The contract for the work was completed and finally settled September 28, 1908. The claimant, The H. B. Smith Company, had furnished for it under a contract between claimant and the Church Construction Company apparatus of the agreed price of \$3,279.44 of which \$1,631.40 has not been paid and constitutes the present claim. A permanent receiver of the Church Construction Company was appointed May 18, 1908, on the ground of insolvency. The action of the People of the State of New York against the Metropolitan Surety Company was commenced on January 6, 1909, and on January 30, 1909, judgment was duly entered therein dissolving the surety company and directing a just distribution of the assets among its stockholders and fair and honest creditors and appointing Yawger, the respondent, permanent receiver, and enjoining and restraining all creditors of the surety company from commencing any action or proceeding against said surety company or receiver without first obtaining leave of the court. The H. B. Smith Company filed the claim on May 13, 1909, with the permanent receiver, who rejected it. The allowance of it by the referee to whom it was referred was confirmed by the Special Term and reversed by the Appellate Division. No suit on the bond has been instituted by the United States or by any creditor of the Church Construction Company in the Circuit Court of the United States for the Southern District of New York, in which district said contract was performed and executed. No payment has been made to the United States by the surety company as surety on said bond, nor has any claim been made by the United States against the surety company as such surety for any amount. The claims of creditors filed with the receiver herein against the surety company as surety on said

bond amount in the aggregate to less than the sum of \$134,000, the amount of the liability of the surety company on said bond.

Tallmadge W. Foster for appellant.

Edward R. Finch and *Francis X. Brosnan* for respondent.

WEBNER, CHASE and HOGAN, JJ., concur with COLLIN, J.;
WILLARD BARTLETT, Ch. J., HISCOCK, J., concur with MILLER, J.
Order affirmed.

DORY OSTERHOUT, Respondent, v. PRUDENTIAL INSURANCE COMPANY OF AMERICA, Appellant.

Osterhoudt v. Prudential Ins. Co. of America, 159 App. Div. 291, affirmed.
(Argued April 15, 1914; decided May 5, 1914.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the third judicial department, entered December 1, 1913, which reversed an order of the Ulster County Court denying a motion to strike out the answer, to adjudge defendant in contempt and for judgment in favor of plaintiff as upon a default in an action upon a policy of life insurance.

Palmer Canfield, Jr., and *William D. Brinnier* for appellant.

N. Frank O'Reilly and *John D. Eckert* for respondent.

Order affirmed, with costs; no opinion.

CONCUR: WILLARD BARTLETT, Ch. J., WEBNER, HISCOCK, CHASE, COLLIN, CUDDEBACK and HOGAN, JJ.

In the Matter of the Application of the FEDERAL UNION SURETY COMPANY, Appellant, to Be Relieved from Liability on the Bond of HARRY S. DEWEY, as Receiver of the Property of the Firm of DIXON & DEWEY.

EUSTACE CONWAY, as Substituted Receiver, et al., Respondents.

Matter of Federal Union Surety Co., 154 App. Div. 936, affirmed.
(Argued April 16, 1914; decided May 5, 1914.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered January 24, 1913, which affirmed a final order entered upon the report of a referee awarding a recovery against the petitioner as surety upon a receiver's bond.

Joseph Weldon Bailey, Louis B. Eppstein, J. Joseph Lilly and Charles S. Mackenzie for appellant.

Henry W. Jessup and Charles F. Williams for Eustace Conway, as substituted receiver, respondent.

D. Theodore Kelly for John T. Dixon, respondent.

Frederick M. Brown and Homer L. Loomis for Bowring & Co., respondent.

Order affirmed, with costs; no opinion.

CONCUR: WILLARD BARTLETT, Ch. J., WERNER, HISCOCK, CHASE, COLLIN, CUDDEBACK and HOGAN, JJ.

ROSE ENTHOVEN, Appellant, *v.* AMERICAN FIDELITY COMPANY,
Respondent.

Enthoven v. American Fidelity Co., 150 App. Div. 928, affirmed.
(Argued April 30, 1914; decided May 15, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered May 28, 1912, affirming a judgment in favor of defendant entered upon a verdict directed by the court in an action to recover upon a policy of accident insurance.

Alexander Pfeiffer for appellant.

Abram I. Elkus and Carlisle J. Gleason for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: WILLARD BARTLETT, Ch. J., WERNER, HISCOCK, CHASE, CUDDEBACK and CARDOZO, JJ. Not sitting: MILLER, J.

E. R. THOMAS MOTOR BRANCH COMPANY, Respondent, *v.* UNITED
STATES FIDELITY AND GUARANTY COMPANY, Appellant.

Thomas Motor Branch Co. v. U. S. Fidelity & Guaranty Co., 153 App. Div. 32, affirmed.

(Argued May 4, 1914; decided June 2, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered December 6,

1912, reversing a judgment in favor of defendant entered upon a verdict directed by the court and directing judgment for the plaintiff in an action to recover upon an undertaking.

Benjamin E. Messler for appellant.

William B. Carswell and *G. A. McLaughlin* for respondent.

Judgment affirmed, with costs, on opinion of MILLER, J., below.

Concur: WEBNER, HISCOCK, COLLIN, CUDDEBACK and CARDOZO, JJ. Absent: WILLARD BARTLETT, Ch. J. Not sitting: MILLER, J.

In the Matter of the Application of the FEDERAL UNION SURETY COMPANY, Appellant, to be Relieved from Liability on the Bond of HARRY S. DEWEY, as Receiver of the Property of the Firm of DIXON & DEWEY.

EUSTACE CONWAY, as Substituted Receiver, et al., Respondents.

(Submitted June 1, 1914; decided June 9, 1914.)

Motion for re-argument denied, with ten dollars costs. (See 211 N. Y. —.)

THE MASON-HENRY PRESS, Appellant, v. ÆTNA LIFE INSURANCE COMPANY, Respondent.

Insurance—employers' liability policy—clause exempting insurer from liability arising from violation of Labor Law by insured—when defense by insurer of action by employee against insured not a waiver of such exemption.

1. The parties to an employers' liability policy of insurance, by their contract, have a right to place a limitation on the insurer's liability and to exempt the latter from any claim for indemnity to the insured against damages resulting from the latter's violation of the Labor Law.
2. When an employee made his claim for damages against the insured basing such claim on various grounds which were covered by the policy of insurance, and also on an alleged violation of law which was not covered thereby, the insurer had a choice between two courses of action which would preserve the limitation on its liability which has been referred to. It could regard simply the charge of violation of law by the insured and refuse to defend the action, or, on the other hand, it could proceed with the defense of the action under an understanding with or notice to the insured, express or implied, that it would defend against all allegations of fault, and that

if in the end it should come out that the only allegation sustained was the one of violation of law, its rights should be preserved, and it should not be liable.

3. Where the insurer elected to defend the action, but, at the outset, by a written notice, called to the attention of the insured an allegation of the employee that he was being employed in violation of law, and that, if such proved to be the case, "this case would not fall to us for attention," it did all that was necessary and all that it could do to preserve and assert its rights under the exemption or condition while thus proceeding with the defense of the case. A subsequent oral statement by an agent of the insurer, in a conversation with an officer of the insured, that his company "is going on with the case and is going to take care of it" did not at all destroy the proposition that if at the end of that case it should be determined that the accident resulted from a cause not covered by the policy the insurer would not be liable. More especially, where, thereafter, the insurer discovered evidence which corroborated the employee's claim that he was under age and had been employed in violation of law, and this information was promptly brought to the attention of the insured with a request that it co-operate with the insurer in effecting a settlement. (*Brassil v. Maryland Casualty Co.*, 210 N. Y. 235, distinguished.)

Mason-Henry Press v. Aetna Life Ins. Co., 155 App. Div. 876, affirmed.
(Argued May 6, 1914; decided June 9, 1914.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered January 11, 1913, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term.

The nature of the action and the facts, so far as material, are stated in the opinion.

George W. O'Brien and *Albert J. Oot* for appellant.

Charles E. Spencer for respondent.

WILLARD BARTLETT, Ch. J., WERNER, COLLIN, CUDDEBACK, MILLER and CARDOZO, JJ., concur.

Judgment affirmed.

SIMON HEILBRUNN, Appellant, *v.* NORTH BRITISH AND MERCANTILE INSURANCE COMPANY OF LONDON AND EDINBURGH, Respondent.

Heilbrunn v. North British & Mercantile Ins. Co. of London & Edinburgh, 161 App. Div. 918, affirmed.

(Submitted June 1, 1914; decided June 16, 1914.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered March 3, 1914, which affirmed an order of Special Term granting

a motion for judgment on the pleadings dismissing the complaint for failure to serve a reply to a separate defense set up in an action upon a policy of fire insurance.

Jacob R. Schiff for appellant.

Leo Levy for respondent.

Order affirmed, with costs; no opinion.

Concur: WILLARD BARTLETT, Ch. J., WERNER, HISCOCK, CHASE, HOGAN, MILLER and CARDOZO, JJ.

In the Matter of the Accounting of TITLE GUARANTEE AND TRUST COMPANY, as Executor of WILLIAM BUCHANAN, Deceased, Respondent.

WILLIAM H. BUCHANAN et al., Appellants; CHARLES L. BUCHANAN et al., Respondents.

Matter of Title Guarantee & Trust Co., — App. Div. —, affirmed.
(Argued June 2, 1914; decided June 16, 1914.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered January 10, 1914, which modified and affirmed as modified a decree of the New York County Surrogate's Court construing the will of William Buchanan, deceased.

Edward R. Green and *Thomas Garrett, Jr.*, for appellants.

David T. Davis, *George G. Schreiber* and *William B. Symmes, Jr.*, for respondents.

Order affirmed, with costs; no opinion.

Concur: WILLARD BARTLETT, Ch. J., WERNER, HISCOCK, CHASE, HOGAN, MILLER and CARDOZO, JJ.

THE PEOPLE OF THE STATE OF NEW YORK, Plaintiff, v. THE METROPOLITAN SURETY COMPANY, Defendant.

In the Matter of the H. B. SMITH COMPANY, Appellant, v. JOHN F. YAWGER, as Receiver of the METROPOLITAN SURETY COMPANY, Respondent.

(Submitted June 1, 1914; decided June 16, 1914.)

MOTION for re-argument denied, with ten dollars costs. (See 211 N. Y. 107.)

ATTORNEY-GENERAL'S OPINIONS

ATTORNEY-GENERAL'S OPINIONS

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY

INSURANCE LAW, SECTION 125 — CONVERSION OF MUTUAL INTO STOCK CORPORATION.

Upon conversion of a mutual fire insurance corporation into a stock corporation the right of a member to subscribe to the capital stock is determined by the amount of cash premiums paid in by him upon policies in force at the time.

Statement

A mutual fire insurance company proposes to convert itself into a stock corporation, and a question is presented as to the basis on which the right to subscribe must be computed. Is it dependent upon the amount of unearned premiums upon outstanding policies, upon the total amount paid during the continuance of insurance in the company on the same property, or upon premiums paid on policies outstanding?

Opinion

In section 125 of the insurance law the right to subscribe for the stock of a corporation into which a mutual corporation is to be converted is declared in the following language:

"Every member * * * shall be entitled to priority in subscribing to the capital stock of such corporation * * * in proportion to the amount of cash premiums paid in by such member on unexpired risks in force * * *."

It is argued that this passage may have any of the meanings above specified.

I am of the opinion that the phrase "unexpired risks in force" applies to policies outstanding and not to property insured. "Risks" must be assumed to be used by the legislature in its

general sense and not in the special and, strictly speaking, inaccurate sense of property insured, which it has come to assume in the casual language of the insurance business. In addition to the general principle of interpretation thus applied, the phrase "unexpired risks in force" clearly indicates to my mind a purpose to exclude former policies upon the same property no longer in effect, and while this interpretation may make the use of the words "in force" after "unexpired" a mere redundancy, the existence of such a blemish in a statute is not so extraordinary as to justify the drawing from it of an inference as to intention. Certainly the use of the word "unexpired" cannot without a severe wrenching of language be held to limit the right to subscribe to that portion of the cash paid in which may upon computation be found applicable to that portion which has yet to run of the original time limit of the policy. The right to subscribe is therefore dependent upon the amount of cash paid in premiums on policies outstanding.

Dated July 2, 1913.

(Signed) THOMAS CARMODY,
Attorney-General.

TO HON. WILLIAM T. EMMET, *Superintendent of Insurance,*
Albany.

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY, July 23, 1913

HON. WILLIAM T. EMMET, *Superintendent of Insurance, Albany:*

DEAR SIR: Your letter of July 15th and the copies of the letters and financial statement enclosed, received by you from the Mutual Fire Insurance Company of Albany, relative to their proposed establishment of an agency in New York city, have been carefully read.

Section 111 of the insurance law seems to be a complete answer to them, absolutely, as I read it, forbidding the company in its circumstances to do business in New York city.

Section 111 provides that

"No domestic mutual fire insurance corporation shall commence business, if located in the city of New York, as said city existed on the first day of October, eighteen hundred and ninety-two, or in the county of Kings, nor establish any agency for the transaction of business in either New York or Kings county, until agreements have been entered into for insurance with four hundred applicants, citizens of this state and freeholders, each owning real estate within this state to the value of at least five thousand dollars, the premiums on which insurance shall amount to two hundred thousand dollars, of which forty thousand dollars shall have been paid in in cash, and notes of solvent parties, founded on actual and bona fide applications for insurance, shall have been received for the remainder."

The plain meaning of the statute seems none other than that a mutual fire insurance company shall not commence business in New York city, nor establish an agency there, until the company has four hundred applicants for insurance who each own property worth \$5,000, and until premiums received on such insurance amount to \$200,000. I cannot accede to the interpretation that the statute meant to favor a company starting business outside of New York city with privileges in New York city which are denied to a company starting, or attempting to start, business in that city.

The Mutual Fire Insurance Company of Albany does not appear to be in a condition to meet the requirements of the statute for doing business in New York city.

Very truly yours,
(Signed) THOMAS CARMODY,
Attorney-General.

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY, *October 15, 1913*

HON. WILLIAM TEMPLE EMMET, *Superintendent of Insurance,*
Albany.

DEAR SIR: Replying to your letter of October 8th, which enclosed a copy of a letter from the Mutual Fire Insurance Company of Albany, dated October 7, 1913, concerning their right to do business in New York and Kings counties, I have to say that my advice of July 23, 1913, is modified, and that I now conclude that the company has a right to do business in those counties.

The company's letter of July 12, 1913, to you, upon which I based my opinion, said nothing of their possession of accumulated profits in excess of \$200,000, but attempted to interpret section 111 of the insurance law as not applying to companies already organized outside of New York and Kings counties. That all a "mutual fire insurance company located without the City of New York or Kings County would have to show in order to establish an agency in New York City or Kings County would be that it had complied with the provisions of law necessary for it to do business in its home county." With such a conclusion I did not agree.

Section 113 of the insurance law, to which attention is directed, seems to construe section 111 as solicitous only that the \$200,000 capital be adequately secured, and not as insisting that the precise provisions precedent in section 110 as to doing business in New York and Kings counties continue in force in a case where the \$200,000 is already held in accumulated profits.

Very truly yours,

THOMAS CARMODY,
Attorney-General.

By C. T. DAWES,
Deputy Attorney-General.

STATE OF NEW YORK
OFFICE OF THE ATTORNEY-GENERAL
ALBANY

INSURANCE LAW, SECTION 134 — BOND FOR PAYMENT OF TAXES.

The requirement of filing a bond to secure the payment of taxes on insurance premiums may be complied with by the filing of one such bond for each agent, notwithstanding the fact of his representing several foreign companies.

Inquiry

By chapter 304 of the laws of 1913, two sentences were added to section 134 of the insurance law, providing for the filing with the superintendent of insurance of a bond for \$1,500, by an agent desiring to transact insurance in more than one city, town or village, instead of requiring him to file a separate bond for each place in which he carries on the business. This amendment was

introduced at the request of the insurance department and was intended to relieve agents of a burden unnecessarily severe upon them and quite useless as an added protection to the treasury. Under these requirements is it necessary that a separate bond should be filed for each company represented by an agent, or will one bond suffice?

Opinion

Under the language of the statute construed apart from any external facts, two interpretations appear to be permissible. Section 133 imposes a tax of 2 per cent. upon premiums paid for policies in foreign fire insurance companies, and provides for the distribution of the sums so collected for the benefit of local fire departments. Security for the payment of this tax is required in section 134 which declares that:

"No person shall, as agent for any such foreign insurance corporation, association or individual, effect any insurance * * * until he shall have executed * * * a bond with a condition for an annual accounting and payment."

The new provision does not qualify the language just quoted with regard to the relationship of the agent to the company or companies, but says simply, "if any such agent shall desire to transact business in more than one city, town or village, he may file one bond for \$1,500 instead of several for \$500 each." There is no specific provision for a bond to be given on account of each company represented, and the only language from which such an inference might be drawn is that in the first line of the section.

It is the opinion of the Department of Insurance that the single bond will supply adequate security for the payment of the tax and that the requirement of a separate bond for each company would be so heavy a burden as to be almost prohibitory. As the statute is open to the interpretation by which but one bond is required of each agent, such an interpretation may properly be applied.

Dated October 30, 1913.

THOMAS CARMODY,
Attorney-General.

TO HON. WILLIAM T. EMMET,
*Superintendent of Insurance,
Albany, N. Y.*

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY, November 25, 1913

HON. WILLIAM T. EMMET, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR: Your communication of November the 22d, enclosing communications from the treasurer of the Metropolitan Life Insurance Company and Mr. John G. Milburn, received.

It does not seem to me that the case of the Memphis Union Station bonds is parallel to the Kansas City Terminal bond matter, upon which an opinion of this office was rendered under date of August 9, 1911. In the Kansas City Terminal case this office determined that the operating agreement was not a collateral security. Under the facts in that case submitted to this office it was apparent that there was no agreement existing between the bondholders and the railroad companies who were parties to the operating agreement, while in the present case of the Memphis Union Station bonds there is a distinct agreement existing between the bondholders and the railroad companies in the form of a guarantee on the back of the bonds by the various railroad companies. This is an additional security that to my mind comes within the definition of collateral security. This, of course, did not exist in the Kansas City Terminal case.

It is not my intention, nor do I deem it part of the duties of this office to determine the adequacy of the collateral security in the Memphis Union Station bonds. What was attempted to be decided in the Kansas City Terminal case was that the so-called operating agreement was not a collateral security, while in the present case of the Memphis Union Station bonds it would seem to me that the guarantee on the back of the bonds by the various companies brings it within the definition of collateral security.

Yours truly,

THOMAS CARMODY,
Attorney-General.

By JAMES A. PARSONS,
Deputy Attorney-General,

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY

STOCK CORPORATIONS LAW, SECTION 26 — CHANGE IN NUMBER OF DIRECTORS OF AN INSURANCE CORPORATION.

Whenever a domestic insurance corporation seeks to increase or reduce the number of its directors, it is immaterial whether the consent of the Superintendent of Insurance to such increase or reduction is obtained prior to the meeting and action of the stockholders held for such purpose.

The requirement of the statute is satisfied so long as the consent of the Superintendent of Insurance is obtained, and the increase or reduction is not effective until such consent is given.

Inquiry

A domestic insurance corporation presents to the Secretary of State a transcript of proceedings taken pursuant to section 26 of the Stock Corporations Law of a meeting of its stockholders reducing the number of its directors. The consent of the Superintendent of Insurance to such reduction was not procured prior to such proceedings. The Superintendent of Insurance requests an opinion upon the question whether this corporation may, prior to receiving the consent of the Superintendent of Insurance, increase or reduce the number of its directors, or take action thereon and subsequently obtain such consent.

Opinion

The question for determination involves the construction of a single sentence of section 26 of the Stock Corporation Law. Before quoting this sentence I will briefly state the substance of the other material portions of that section. It is provided that the Board of Directors of any stock corporation may be increased or reduced, but not below the minimum number prescribed by law, when the stockholders owning a majority of the stock of the corporation vote so to do at a meeting to be held on such notice to each stockholder of record as the statute prescribes. It is further provided that such increase or reduction may be made by unanimous consent of the stockholders without a meeting.

This brings me directly to that part of the section referred to, and it is in these words:

"If a corporation formed under or subject to the banking law, the consent of the superintendent of banks; and if an insurance company, the consent of the superintendent of insurance *shall be first obtained* to such increase or reduction of the number of directors."

I have underscored the material words. Was it intended by the use of this language to require the consent of the Superintendent of Insurance prior to the stockholders' meeting to reduce the number of directors?

It is clear that the vote of the stockholders at the meeting does not of itself increase or reduce the number of directors, and will not accomplish such purpose until the Superintendent of Insurance gives his consent. It is both the consent and the action of the stockholders which makes effective the increase or reduction. The absence of either, of course, makes no change in the directorate of the corporation. I can not see that it makes any difference whether the Superintendent's consent is given prior to the stockholders' action, or whether it is given after such action. The view that I take of the statute is that it was intended to prohibit the increase or reduction of the number of directors of such a corporation without the Superintendent's consent. The word "first" was not intended, in my opinion, to refer to the action of the stockholders but rather to the effectiveness of the increase or reduction. The obtaining of the Superintendent's consent is made, so to speak, a condition precedent to the reduction of the directors, and it matters little at just what step of the proceeding the consent is procured.

Dated February 6, 1914.

THOMAS CARMODY,
Attorney-General.

TO HON. WILLIAM T. EMMET,
Superintendent of Insurance, Albany, N. Y.

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY, April 18, 1914

HON. FRANK HASBROUCK, *Superintendent of Insurance, Albany.*

DEAR SIR: Your favor of the 7th inst., relative to the question propounded by Messrs. H. H. and W. L. Morse, attorneys-at-law, of Tarrytown, in regard to the proper interpretation of certain provisions of the insurance law as to directors of a domestic fraternal beneficiary society, is at hand.

I am very loath to attempt to answer a hypothetical question as to a condition which may never arise, and would much prefer to pass upon a certificate when actually presented. In view of your desire, however, in this matter, I beg leave to state that it is my view that this corporation has no right to either take from the directors duly elected the power to act or to limit their powers so as to deprive them of the right to vote. I believe that under section 34 of the general corporations law the power of voting is inherent in all directors of corporations legally elected. The company may undoubtedly reduce its number of voters within the limit allowed by law by properly following the procedure outlined for that purpose, but I do not believe it can deprive of any of their powers duly elected directors.

Very truly yours,

THOMAS CARMODY,

*Attorney-General.*By J. A. KELLOGG, *First Deputy.*

STATE OF NEW YORK

OFFICE OF THE ATTORNEY-GENERAL

ALBANY

ARTICLE VII INSURANCE LAW — SECTION 2 MEMBERSHIP CORPORATIONS LAW,
AS AMENDED BY CHAPTER 167, LAWS OF 1914 — MEMBERSHIP CORPORATIONS ENGAGED IN FURNISHING DISABILITY AND DEATH BENEFITS TO MEMBERS.

Membership corporations organized pursuant to the Membership Corporations Law and engaged in the business of rendering aid to members

limited to the amount specified in subdivision "c," of section 245 of the Insurance Law, are prohibited from advertising the furnishing of insurance benefits generally.

They are not presumed to deal with the public generally, but such business is merely incident to the business of the corporations. Such corporations may issue certificates of membership to members in which there appears a description of the benefits promised for the amounts paid.

Statement

Certain corporations organized under the membership corporations law furnishing disability and death benefits to their members are advertising such business extensively as the furnishing of insurance benefits.

Inquiries

The superintendent of insurance has submitted for my opinion three questions in reference to such corporations as follows:

1. Are not membership corporations formed for the purposes I have referred to, purely and essentially social organizations and prohibited from advertising the furnishing of insurance benefits?

2. Are such membership corporations presumed to deal with the public generally, or, in other words, was it not the intent of the Legislature to provide a means whereby persons might "incorporate" a society—local in nature—through which some mutual relief or voluntary aid might be extended to those who comprise the corporation, merely as an incident to its operations?

3. Can such membership corporations, under the amended statute, issue certificates of membership to persons in which there appears a description of the benefits promised for the money consideration involved?

Opinion

Article VII of the insurance law provides for the incorporation of fraternal benefit societies and defines their powers and the conditions of membership and interest therein.

Section 245 thereof exempts certain societies from the provisions of said article, those included in subdivision "c" of said section being "domestic societies or associations of a purely religious, charitable and benevolent description organized on January 1, 1913, which provide for a death benefit of not more than four hundred dollars or disability benefits of not more than three hundred and fifty dollars to any one person in any one year, or both."

Section 2 of the membership corporations law, prior to an amendment of this year, provided as follows:

"§ 2. Definitions. Neither the term 'membership corporation,' nor the term 'membership corporation created by special law,' includes a stock corporation, or a corporation organized for pecuniary profit, or a corporation subject to any of the provisions of the insurance law. Subject to such exceptions, the term 'membership corporation' means a corporation hereafter incorporated under this chapter, or heretofore incorporated under any law repealed by this chapter, but does not include a 'membership corporation created by special law;' and the term 'membership corporation created by special law' means a corporation created by special law for purposes for all of which a corporation might be created under this chapter."

By chapter 167 of the laws of 1914 this section was amended by adding the following:

"Any 'membership corporation' as defined by this chapter agreeing with members to render aid within the amounts specified in subdivision "c" of section two hundred and forty-five of article seven of the insurance law, shall not by reason of such agreement be deemed to violate the provisions of the insurance law."

A membership corporation cannot transact insurance business except as above provided in said chapter 167 of the Laws of 1914. (Report of Attorney-General 1913, p. 680.)

Neither can it be created "for pecuniary profit."

It is expressly limited to rendering aid to its members in the small amounts specified.

The societies exempted in subdivision "c" of the fraternal benefit societies law are those of a "purely religious, charitable and benevolent description."

Nowhere does there appear to be any authorization for such a society to advertise its business as that of insurance.

Membership corporations rendering similar aid should be governed by the same restrictions.

It cannot be the intention of the law to permit them to extensively advertise their insurance features as such action might cause them to become corporations "organized for pecuniary profit," or deceive those dealing with them by causing them to believe that they were subject to the provisions and safeguards of the insurance law.

The first question is, therefore, answered in the affirmative with this suggestion, that it is difficult to say generally where the line of prohibition should be drawn, and each case should be considered on its own facts.

In answer to the second question, it seems to me that it was clearly the intent of the laws referred to, to permit membership corporations to render the aid specified merely as an incident to their business and not to deal generally with the public.

The observations made in answer to the first question are applicable here. It is difficult to frame an answer which will cover all cases and each one must of necessity, therefore, depend upon its own facts.

In regard to the third question, I know of no objection to the corporations in question issuing certificates of membership and describing the benefits promised for the amounts paid therefor. The right to make the agreement carries with it the right to execute the certificate, but such certificates must, of course, conform strictly to the provisions of the statutes quoted above and must not be so worded as to convey the impression that the corporations issuing them are engaged in the general business of insurance.

Dated June 2, 1914.

THOMAS CAEMODY,
Attorney-General.

TO HON. FRANK HASBROUCK,
*Superintendent of Insurance,
Albany, N. Y.*

STATE OF NEW YORK
OFFICE OF THE ATTORNEY-GENERAL
ALBANY

INSURANCE LAW — INSURANCE UPON PLATE GLASS AGAINST BREAKAGE —
BUSINESS CORPORATION NOT AUTHORIZED TO ENGAGE IN SUCH BUSINESS.

A corporation incorporated under the Business Corporations Law of this State, authorized among other things, "to purchase, sell and exchange window and plate glass, and to exchange and deal in all kinds of glass which may be required for any of the purposes of the company's business, or which may seem capable of being profitable in connection with such business; to examine glass and repair the same; to repair, replace and exchange any and all broken and unbroken glass; to enter into agreements for the purpose of repairing and exchanging any and all broken and unbroken glass," engages in insurance when it enters into a written form of contract closely resembling the form of plate glass insurance policy used by insurance companies insuring glass against breakage, in which it agrees with others to examine the plate glass men-

tioned in the contract upon notice and to putty the same once a year, and "in the event that any of said plate glass becomes broken as the result of an accident, to replace the same within a reasonable time after notice * * *."

This is true although no money indemnity is promised in the contract; for it is not necessary that the indemnity should be made in money. The replacement of broken glass is sufficient indemnity or sufficient protection against loss to complete the contract of insurance.

Such a contract not only is one of insurance, but it is in violation of the Insurance Law.

Inquiry

A corporation incorporated under the business corporations law in this State, having for its objects those mentioned above, enters into a written contract similar to the form of policy of plate glass insurance companies. In this contract, which is made upon an expressed money consideration, the company agreed with the party to whom the contract is issued, "to examine the glass heretofore mentioned and to putty the same once in each year, if necessary; and in the event that any of the said glass becomes broken as the result of an accident, to replace the same within a reasonable time after notice thereof in the manner aforesaid." With the inquiry is submitted one of the contracts actually issued by the corporation. Comparing it with the form of policy used by plate glass insurance companies discloses that the performance of each of the stipulations in the contract is dependent upon the same conditions as are imposed by insurance companies under their form of policy.

The superintendent of insurance asks for an opinion as to whether this company is doing an insurance business.

Opinion

Section 70 of the insurance law provides in part:

"Thirteen or more persons may become a corporation for the purpose of making any of the following kinds of insurance * * *."

"6. Upon glass against breakage."

Section 2 of the business corporations law, under which the corporation in question was organized, provides, among other things:

"Except as provided in section two-a of this chapter, three or more persons may become a stock corporation for any lawful business purpose or purposes other than a moneyed corporation, or a corporation provided for by the banking, the insurance, the railroad and the transportation corporations law."

It will be noted that the above section permits the formation of a corporation under the business corporations law for any lawful business purpose or purposes, except a corporation which is provided for by the banking, *the insurance*, the railroad and the transportation corporation law. In other words, a corporation may not be incorporated under the business corporations law and conduct any business within the provisions of the insurance law. So long as the business it attempts to do is provided for by the insurance law it is unauthorized.

A solution of the inquiry may be helped by first referring to an authoritative definition of insurance. In Cooley's Brief on the Law of Insurance, Volume I, page 5, he states what is considered to be a good definition (taken from the definition of insurance contained in the statutes of Massachusetts, 1887, chapter 214, section 3), as follows:

"A contract of insurance is an agreement by which one party, for a consideration, promises to pay money or its equivalent, or do some act of value to the assured upon the destruction or injury of something in which the other party has an interest."

I have made a comparative examination of the contract entered into by this company and the form of policy used by plate glass insurance companies. From this examination I find that they closely resemble each other. Practically all of the stipulations contained in the contract in question, except those relating to examination of the glass and puttying the same once in each year, are found in the insurance policies issued by the so-called plate glass insurance companies.

In the insurance of plate glass there is a single physical hazard insured against; namely, breakage. When the glass is broken it is, from the standpoint of the insured, destroyed and repair is out of the question. The insured, when the glass is broken, is then entitled to a new glass or the value of the new plate, usually at his option. By practice, I am informed, it is customary for plate glass insurance companies to replace broken glass instead of paying for it in money, and this is done largely because of the express stipulation contained in the policy giving the insurance company the right to do so.

Here, it will be noticed, that in the contract in question it is agreed that in the event that any of such glass becomes broken as the result of an accident, it will be replaced within a reasonable time.

The fact that there is no money compensation promised does not, in my opinion, alter the situation and it is none the less insurance. The company agrees to replace the broken glass but not to indemnify against loss in money.

Indemnity against loss is the foundation of insurance, but indemnity does not necessarily mean money, for it may assume such form as is agreed upon, provided there is no conflict with any other legal requirement. The undertaking by the company to replace the broken glass, is, to my mind, sufficient indemnity and is sufficient protection against loss. It is a complete restoration of the thing destroyed and a complete compensation to the one who suffers loss.

That there may be indemnity without money compensation is supported by authority.

In *Elliott on Insurance*, p. 17, paragraph 18, he says, speaking on the subject of indemnity:

"The fundamental principle at the base of every contract of insurance affecting an interest in property is that of indemnity. This means that the object of the contract is, in the event of loss, to place the insured as nearly as possible within the terms and conditions of the policy, in the same situation as before the loss. The value of the interest may be determined after the loss, or by the contract."

See also the definition in *Cooley's Brief on the Law of Insurance*, quoted above.

Physicians' Defense Co. v. Cooper, 188 Fed. Rep. 832; 199 Fed. Rep. 576.

In that case it appears that the Physicians' Defense Co. agreed in writing for a certain annual consideration to undertake to defend the holders of its contracts "against all suits for damages for civil malpractice based upon professional services rendered by himself or his agents during the term of this contract, at its own expense, not exceeding five thousand dollars in defense of any one suit. * * * Said company does not obligate itself to pay or to assume or to secure the payment of any judgment

rendered against the holder hereof in any suit defended by it." It was contended by the company that this was a contract for personal services and that it lacked some of the essential features of insurance; namely, that the contract undertook to merely perform certain services for another and to pay any expenses incurred in such services out of its own pocket, and that there was no reimbursement in money and so no insurance. In writing for the court District Judge Van Fleet said:

"Complainant argues that the element of indemnity is wholly eliminated by the provision which exempts it from obligation to pay the judgment; and that all it contracts to do is to secure competent counsel and, at its own expense, see that the suit is properly defended. The contract is more or less artfully drawn to put forward this idea, but not sufficiently so to conceal the fact that such is not its underlying purpose and effect * * *. This is clearly indemnity; and obviously it is not essential to make it a contract of insurance that it shall indemnify against all loss.

* * * * *

"It is said that, if this is a contract of insurance, then the contract by which an attorney for a stipulated retainer or fee undertakes at his own expense to defend a client in certain litigation or against a certain class of suits, or a contract by which a board of trade undertakes in consideration of an annual payment by its members to prosecute and defend at its own expense all litigation growing out of the business in which such members are engaged, are equally contracts of insurance. But we are not here concerned with the nature of such contracts. If attorneys and boards of trade are engaged in the business of making such contracts, it may be of interest to the insurance commissioner; but all we are here concerned with is whether the contract under consideration is an insurance contract, and so renders the complainant, which is engaged in the business of putting forth such contracts, amenable to regulation under the insurance laws of the state. That the contract is one of insurance I entertain no doubt."

It is my opinion that the corporation in question is doing an insurance business contrary to the insurance law of this State.

Dated June 8, 1914.

THOMAS CARMODY,
Attorney-General.

TO HON. FRANK HASBROUCK,
Superintendent of Insurance,
Albany, N. Y.

STATE OF NEW YORK
ATTORNEY-GENERAL'S OFFICE
ALBANY

WORKMEN'S COMPENSATION LAW, SECTIONS 2 AND 3 — STATE AND MUNICIPALITIES AS EMPLOYERS — HAZARDOUS EMPLOYMENT — WORK FOR PECUNIARY GAIN.

The Workmen's Compensation Law in its application to the State, its municipal corporations and other political subdivisions thereof, comprehends only those hazardous employments classified in section 2 of the law.

The restriction of the term "employment," as defined in the act, is applicable to the State, its municipalities and other political subdivisions.

Inquiries

From the Chairman of the State Workmen's Compensation Commission:

"What was the effect of the amendment to the Workmen's Compensation Act by chapter 316 of the Laws of 1914, to subdivision 3 of section 3 of such act, striking out the exclusion of the State, a municipal corporation or other political subdivision, and substituting therefor their inclusion?

"Specifically, what employees of the State and its political subdivisions are in your opinion covered, that is, whether all employees, or only such as are engaged in the hazardous employments set forth in section 2 of the act?

"Also, specifically, whether the provision of subdivision 5 of section 3 applies, limiting employment to 'a trade, business or occupation carried on by the employer for pecuniary gain'?"

Opinion

When the workmen's compensation law was enacted in 1913 by chapter 816 of the laws of that year it contained as a definition the following:

"'Employer,' except when otherwise expressly stated, means a person, partnership, association, corporation, and the legal representatives of a deceased employer, or the receiver or trustee of a person, partnership, association or corporation, employing workmen in hazardous employments, *but does not include the state or a municipal corporation or other political subdivision thereof.*"

By chapter 316 of the laws of 1914, this definition was amended to read as follows:

"'Employer,' except when otherwise expressly stated, means a person, partnership, association, corporation, and the legal representatives of a deceased employer, or the receiver or trustee of a person, partnership, association or corporation, employing workmen in hazardous employments *including the state and a municipal corporation or other political subdivision thereof.*"

The effect of this amendment was to do away with the provision contained in the original enactment excepting the State, its

municipalities and other political subdivisions from the operation of the law, and to substitute therefor a definition expressly including them in the act as amended. There was, however, nowhere any provision increasing the liability of the State or its municipalities or other political subdivisions beyond that provided as to private corporations and individuals. The State and its political subdivisions were brought within the same class as other employers previously made liable.

It therefore follows that all the provisions of the act are applicable to the State and its political subdivisions. There is no liability created as against the State or its political subdivisions except that created by section 2 of the act as to hazardous employment therein in detail classified.

The term "employment," defined in subdivision 5 of section 3 as follows:

"'Employment' includes employment only in a trade, business or occupation carried on by the employer for pecuniary gain."

is applicable to the State, its municipalities and political subdivisions. It may very properly be urged that there are not many occupations carried on by the State, its municipalities and political subdivision, for pecuniary gain, but only so far as there are such occupations has the statute included the State and its political subdivisions within its provisions.

There is no liability created by this act except by virtue of its provisions, and it cannot logically be urged that a statute which expressly limits its application to certain employments, can be extended to include other employments.

When by the amendment of 1914 the State and its political subdivisions were included within the definition of "employer," no greater or different liability was imposed than that provided by the statute itself as to employers in general.

When the Legislature placed these governmental agencies *within* the duties and liabilities of the law it cannot be said to have thereby extended the measure of their obligations *beyond* such duties and liabilities.

Date June 9, 1914.

THOMAS CARMODY,
Attorney-General.

To HON. ROBERT E. DOWLING, *Chairman, State Workmen's Compensation Commission, 1 Madison avenue, New York.*

Rulings of the Superintendent of Insurance

AND

Extracts from Opinions of Attorney-General

RELATING TO

Life Insurance Laws (1906) As Amended

BILLS AMENDING OR AFFECTING THE INSURANCE LAW

PASSED DURING THE LEGISLATIVE SESSION OF 1914, AND AP-
PROVED BY THE GOVERNOR

Insurance Law

- § 13 An act to amend the insurance law, in relation to securities deposited by insurance corporations; signed April 3, 1914; in effect immediately.
- § 67 An act to amend the insurance law, in relation to the approval of premium rates of corporations and associations transacting the business of workmen's compensation insurance; signed March 4, 1914; in effect immediately.
- § 70 An act to amend the insurance law in relation to life, health and casualty corporations; signed April 7, 1914; in effect immediately.
- § 97 An act to amend the insurance law, in relation to the limitation of expenses of domestic life insurance corporations; signed April 3, 1914; in effect immediately.
- § 91-a An act to amend the insurance law, in relation to the agents of health and accident insurance corporations; signed February 26, 1914; in effect July 1, 1914.
- § 138-a An act to amend the insurance law, in relation to requiring adjusters of loss or damage by fire to procure a certificate of authority from the superintendent of insurance; signed April 3, 1914; in effect immediately.
- § 142 An act to amend the insurance law, in relation to agents; signed February 26, 1914; in effect July 1, 1914.
- § 237 An act to amend the insurance law, in relation to fraternal beneficiary societies, orders and associations; signed April 3, 1914; in effect immediately.
- § 242 An act to amend the insurance law in relation to fraternal benefit societies; signed April 7, 1914; in effect immediately.

- § 10 An act to amend chapter one hundred and nine of the laws of eighteen hundred and sixty-two, entitled "An act to incorporate the firemen of the city of Schenectady, and for other purposes" in relation to the collection and distribution of the tax on foreign fire insurance companies, and their agents in the city of Schenectady; signed April 11, 1914; in effect immediately.

Labor Law

- § 24 An act to amend the labor law, in relation to compelling employees of a mercantile establishment to contribute to a benefit or insurance fund; signed April 14, 1914; in effect immediately.

Lien Law

- § 21 An act to amend the lien law in relation to justification of sureties; signed April 11, 1914; in effect immediately.

Membership Corporations Law

- § 2 An act to amend the membership corporations law in relation to the effect of certain agreements with members; signed April 8, 1914; in effect immediately.

Religious Corporations Law

- § 245 An act to incorporate the church pension fund, to provide pensions or other forms of support for clergymen of the Protestant Episcopal church in the United States of America and churches in communion with said church, and for persons dependent on such clergymen, and to receive and hold property for the said purpose; signed April 3, 1914; in effect immediately.

Tax Law

- An act authorizing the comptroller to revise and settle accounts paid under the provisions of section 187 of the tax law for the years ending December 31, 1910, and December 31, 1911; signed April 11, 1914; in effect immediately.

Village Law

- § 89 An act to amend the village law, in relation to contracts for indemnity insurance against damages for injuries to persons; signed April 17, 1914; in effect immediately.

Workmen's Compensation Law

An act to re-enact and amend the workmen's compensation law; signed March 16, 1914; in effect immediately except compensation provisions which are to take effect July 1, 1914.

An act to amend the workmen's compensation law, generally; signed April 14, 1914; in effect immediately.

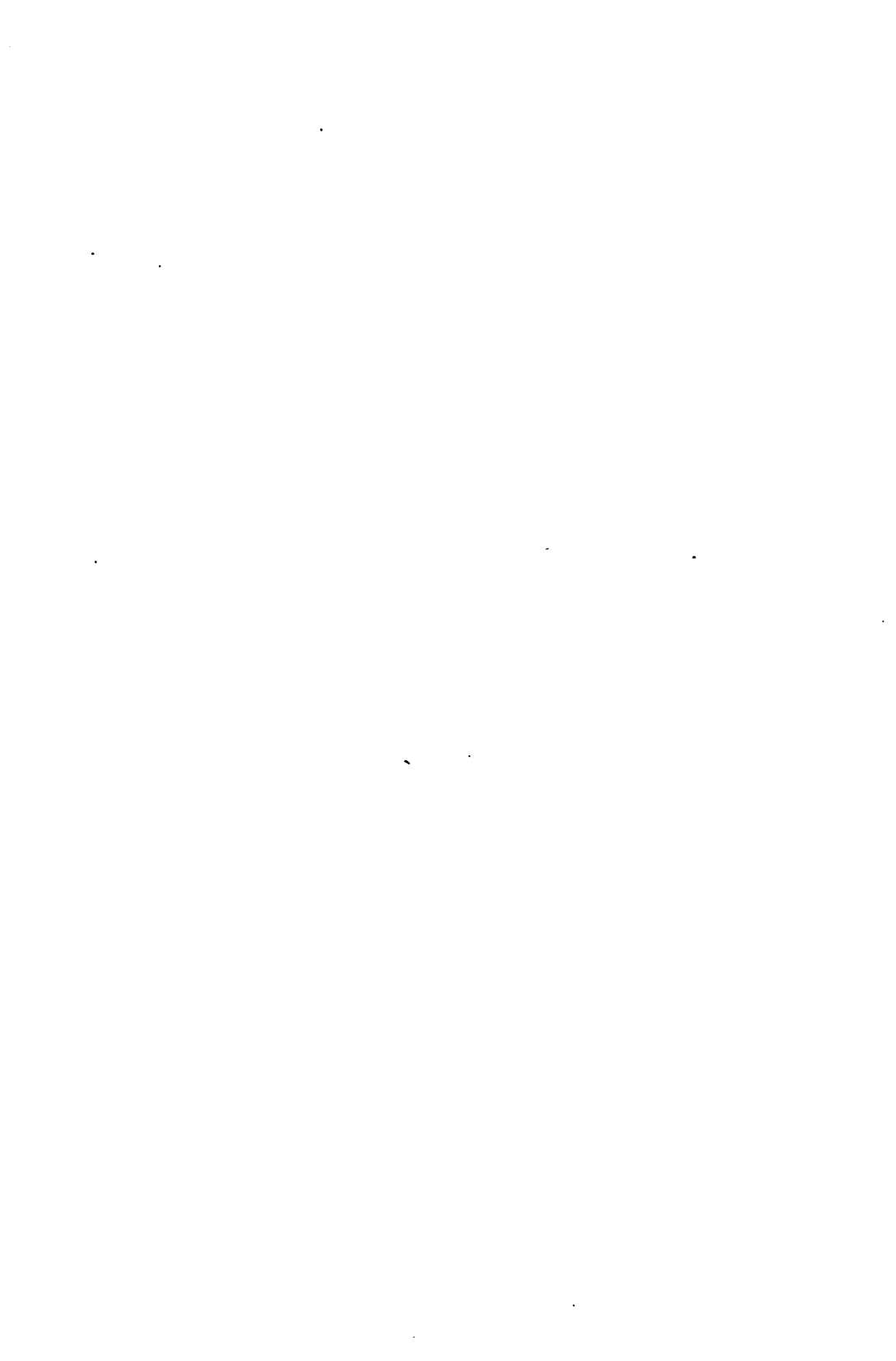


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FOREWORD

Chapter 326 of the Laws of 1906, entitled "An act to amend the Insurance Law generally," which became a law April 27, 1906, made important amendments to §§ 2, 7, 11, 15, 16, 20, 24, 33, 36, 39, 40, 45, 52, 53, 58, 59, 70, 71, 73, 82, 83, 84, 88, 89, 92, 200, 204, 205, 208, 210 and 214; repealed §§ 56 and 87 and the whole of Article X (§§ 300 to 320, inclusive) and added as wholly new matter §§ 58, 60, 87, 94, 95, 96, 97, 98, 99, 100, 101, 102 and 103. Changes, affecting nearly all of the ten articles of the Insurance Law, were made by the session laws of 1907-1914, inclusive. The amendments and additions made by the Legislature of 1914 appear in the first section of this volume.

The insurance legislation of 1906, affecting as it did the conduct of affairs of life insurance corporations in so many particulars, gave rise to much correspondence relating to the interpretation, application and effect of the various amendments. Some of the more important points presented in this correspondence were submitted to the Attorney-General for his opinions thereon. The Actuarial Society of America selected from these opinions of the Attorney-General, and from the rulings of the Superintendent, such matters as seemed to be of general interest to the life insurance companies doing business in this State, and published them in three pamphlets, dated respectively November 7, 1906, December 14, 1906, and March 1, 1907. The opinions and rulings contained in the three pamphlets mentioned were collected and rearranged, with others of later date, down to and including the 22d day of August, 1907, and published in Part V of the Annual Report of the Superintendent for 1907. They were again published in Part V of the subsequent Annual Reports with such additions and modifications as had occurred during each year. *The compilation this year contains opinions given prior to the passage of the law first above referred to, and has been brought down to July 1, 1914. In addition, a complete alphabetical index will be found at the end of the digest.*

Rulings of the Superintendent of Insurance of the State of New York and Extracts from Opinions of Attorney-General

Insurance Law of 1907 Not Retroactive.

Extract from letter dated March 18, 1907, from the Superintendent to Mr.
H. Dreschsel.

" * * * The provisions of the new 'Armstrong laws' are not retroactive."

General Penalties.

Extract from letter dated August 22, 1906, from the Superintendent to Mr.
Willard L. Simpson.

" * * * The general penalties for violating any provision of the Insurance Law will be found in section 53 of that law."

Section 2 — The Superintendent of Insurance

Correspondence of the Superintendent is not a public document, of which certified copies may be demanded, but access thereto is discretionary with the Superintendent.

(See Op. A. G. March 1, 1897.)

Section 9 — Certificate of Authorization of Superintendent

Insurance Contract Defined

For definition of what constitutes an insurance contract.

(See Op. A. G. Feb. 13, 1903.)

When Burial and Undertaking Contract Constitutes Insurance

Extract from letter dated August 4, 1911, from the Superintendent to
J. Arthur Pelletier.

" * * * You state:

'We have incorporated a company under the laws of the State of New York to carry on a burial and general undertaking business. Is there any law to

prevent us from contracting with individuals or families whereby, upon an annual payment to us of a nominal sum, say \$2 or less, we would agree to bury any or all parties to such contract, or supply a coffin, embalm the dead, decorate the mortuary room, furnish a hearse, etc.'

I am of the opinion that the issuing of the proposed contracts would be transacting the business of insurance. * * * "

(See also Op. A. G. Feb. 13, 1903; Oct. 17, 1903; March 5, 1908.)

Section 10 — Certificate of Attorney-General; Corporate Names; Number of Directors

Adoption of Similar Name

Stock company may incorporate with same name as mutual life insurance association on surrender of certificate of mutual association.

(See Op. A. G. March 27, 1901.)

Idem

Evidence of dissolution must be established by affidavit before a corporation can adopt a similar name.

(See Op. A. G. Jan. 9, 1906.)

Certificate of Incorporation Must Contain Definite Number of Directors

Certificate of incorporation must contain definite number of directors; consent of Superintendent to increase or reduction in, required.

(See Op. A. G. June 21, 1904.)

Section 13 — Deposit of Securities

Term "Improved Real Property" Defined

Term "Improved real property" within the meaning of section 13, defined.

(See Op. A. G. Oct. 17, 1892; Dec. 9, 1904.)

Disposition of Deposits on Dissolution

Superintendent should collect interest on mortgages deposited by life insurance company although a receiver has been appointed. (See Op. A. G. Nov. 16, 1894.)

Idem

Upon dissolution, Superintendent must retain deposits until court decides dispute.

(See Op. A. G. Sept. 5, 1902.)

Idem

A life insurance corporation may only be dissolved and deposits sequestered in a suit brought by the Attorney-General on recommendation of the Superintendent.

(See Op. A. G. Feb. 6, 1903.)

Impairment in Deposits

Company assuming liabilities of another company may not make good an impairment in deposits in cash; and the Superintendent may not retain accrued interest on such deposits in order to make good such impairment.

(See Op. A. G. June 12, 1906.)

Section 14 — Exchange of Securities; Interest

Ruling on withdrawal and exchange of securities; term "competent proof" interpreted.

(See Op. A. G. March 26, 1896; July 22, 1907.)

Section 16 — Investment of Capital and Surplus**SUB. 3. CORPORATE BONDS***Surplus May be Invested in Bonds of Any Private Corporation*

Extract from letter dated September 6, 1906, from the Superintendent to Security Mutual Life Insurance Company.

"Your understanding that sections 16 and 100, taken together, still permit a corporation to invest its surplus funds in, or accept as collateral security, the bonds of any private corporation, if, in the judgment of the board of directors or finance committee such bonds are a safe investment, is, I believe, correct."

SUB. 4. REAL PROPERTY*Property Charged with Ground Rent not an Authorized Investment*

Life insurance company cannot loan on bond and mortgage on real property charged with a ground rent.

(See Op. A. G. Jan. 24, 1906.)

Limitations as to Loans Applicable to Purchase Money Mortgage

A mortgage taken for an amount exceeding the express limitations prescribed in section 16, whether the same be a purchase-money mortgage or otherwise, cannot be accepted by the Superintendent of Insurance as a deposit or a proper investment under sections 16 or 100.

(See Op. A. G. June 12, 1907.)

Limitations as to Loans, etc., not Applicable to Sales

An insurance company is not prohibited by section 16 from selling real property and taking back a purchase-money mortgage for more than 50 per cent. of the value of said property.

(See Op. A. G. April 10, 1909, reversing Op. June 12, 1907.)

SUB. 6. INVESTMENT IN STOCKS AND BONDS

Investments may be made in stock of solvent trust company.

(See Op. A. G. Dec. 11, 1896.)

Idem

Domestic life insurance company may invest surplus funds over capital in certificates of Penn. Steel Freight Car Trust, as being evidence of indebtedness or obligation of the Penn. R. R. Co. to pay par and interest of such certificate issued for rolling stock.

(See Op. A. G. Dec. 28, 1906.)

Investment in Bonds of Southern Canadian Railway

Insurance companies may invest their assets other than their capital to the extent of the minimum required by law and the

deposits they are required to make with the Superintendent of Insurance, in bonds of the Canadian Southern Railway Company, guaranteed by the Michigan Central Railroad Company.

(See Op. A. G. Dec. 26, 1912.)

Investment in Railway Equipment Notes

Railway equipment notes issued under conditional sale agreements for the payment of which a solvent corporation of the United States, or a state thereof, is liable when properly issued and sufficiently secured, are legal investments under sections 16 and 100 of the Insurance Law, for the surplus funds of life insurance companies.

(See Op. A. G. June 16, 1913.)

Exchange of Bonds

Company may not subscribe for new bonds, investment in which is prohibited, under rights as holder of old bonds — Right to exchange bonds discussed.

(See Op. A. G. July 22, 1907.)

SUB. 9. FOREIGN SECURITIES

Life Insurance Companies May Invest in or Loan upon Government Bonds of Foreign Countries Only in Which They Transact Business

Extract from letter dated September 6, 1906, from the Superintendent to Security Mutual Life Insurance Company.

“Replying to your first question, I would state that the word ‘government,’ as used in section 100 of the Insurance Law, is not necessarily limited to the United States. Section 16 of the law authorizes companies doing business in foreign countries to invest certain of their funds in the same kind of securities in such foreign countries as they are allowed to invest in, in this State. What a company may invest in it may loan upon. Owing to the facts that the authorization referred to is limited to those companies doing business in foreign countries and that the amounts that may be so invested are limited by the obligations of the com-

panies incurred in such countries, I am of the opinion that life insurance corporations of this State can invest in or loan upon the 'government' bonds of those foreign countries only in which they transact business."

Reasonable Discretion Given Board of Directors in Regard to Purchase of Securities to Meet Company's Obligations in Foreign Countries

Extract from letter dated October 15, 1908, from the Superintendent of Insurance to the New York Life Insurance Company.

"Your letter of October 13, 1908, is received, requesting a ruling from the Department in construction of the following provisions of section sixteen of the Insurance Law, as to whether a domestic life insurance company doing business in foreign countries is thereby limited to investments never exceeding the depository requirements of a foreign country, or whether the board of directors has reasonable discretion in regard to when and how much of securities it may buy to meet its obligations in a foreign country:

'Every such domestic corporation doing business in other states of the United States, or in foreign countries, may invest the funds required to meet its obligations incurred in such other states or foreign countries, and in conformity to the laws thereof, in the same kind of securities in such other states or foreign countries that such corporation is by law allowed to invest in, in this State.'

The Department will hold that a reasonable discretion is given by the statute to a board of directors of a domestic life insurance company, doing business in a foreign country, to invest such part of its funds as may be required to meet its obligations under the laws of such foreign country, in lawfully prescribed securities, at such times and in such amounts as will best subserve and protect the business interests of the company from year to year. A board of directors in authorizing transactions under this provision of the insurance law will be held to a strict account for any abuse of its discretionary powers."

(See also rulings cited under § 100, Investments.)

Section 18 — Stocks, Bonds and Other Evidences of Debt

All Life Insurance Companies Doing Business in this State Must Amortize Bonds

Extract from a letter dated August 9, 1909, sent to the president of each foreign life company.

“It is ruled that all life insurance companies, whether organized under the laws of this State, or, if not so organized, authorized to do business in this State, shall amortize their bonds returned in the annual statements showing their condition as of December 31, 1909, in accordance with the provisions of section 18 of the Insurance Law, as amended in 1909.”

Section 20 — Restrictions as to Real Property

Life Insurance Company May Give an Option for the Purchase of Real Estate Owned by it

Extract from letter dated April 16, 1912, from the Superintendent to the Mutual Life Insurance Company.

“I am in receipt of your letter of the 13th inst. in relation to the right of a life insurance company to give an option for the purchase of real estate owned by it.

In my opinion, there is nothing in the Insurance Law which forbids the giving of an option under the circumstances recited in your letter.”

Section 22 — Reinsurance

Company May Not Issue Reinsurance for Purposes for Which Original Insurance Could Not be Issued

Extract from letter dated February 23, 1909, from the Attorney-General to Superintendent of Insurance.

“By section 70 it is specifically provided that the subdivisions containing the purpose or purposes for which a company is incorporated must be specified in its certificate of incorporation.

By specifically including insurance against accident in a separate subdivision, the Legislature had clearly indicated its intention to regard such insurance as distinct from that specified in

other subdivisions, and therefore as distinct from insurance upon health. Therefore, by specifying only subdivision 1, the certificate of this company necessarily excludes insurance against accident and limits its powers to those contained in such subdivision.

It is further my opinion, that the right conferred upon insurance corporations doing business in this State, to reinsure the whole or any part of any policy obligation in any other insurance corporation, which right is granted by section 22 of the Insurance Law, does not confer upon such other insurance corporations the power to issue any reinsurance policies for purposes for which they could not issue original policies.

Finally, the issuance of any policy not in standard form prescribed by section 101, and not approved by the Superintendent of Insurance, is also in contravention to the provisions of the Insurance Law."

(See Op. A. G. Feb. 23, 1909.)

Reinsurance Contract Legal if Original Policy is Legal

Extract from letter dated December 27, 1910, from the Superintendent to the Connecticut General Life Insurance Company.

" * * * You state:

' We have recently received an application from The Metropolitan Life Insurance Company for reinsurance of one of their risks on their endowment at age 85 plan, this company simply guaranteeing to The Metropolitan the terms of their policy.

I presume this would hardly be considered as issuing an unauthorized policy in New York State * * *'

There can be no objection to the reinsurance by your company of a form of policy approved for and issued by The Metropolitan."

Select and Ultimate Method Not to be Applied to Reinsurance Contracts.

(See Op. A. G. July 22, 1909; Sept. 13, 1909.)

Section 25 — Jurisdiction of Superintendent over Foreign Corporations

Foreign life insurance company must comply with requirements of foreign statute prior to admission.

(See Op. A. G. March 23, 1903.)

Section 26 — Deposits by Insurance Corporations of Other States

Amount and Kind of Deposits Required

Where laws of a foreign government are silent as to deposits by our companies and United States government bonds are accepted, the Superintendent may accept securities of such government.

(See Op. A. G. June 7, 1893.)

Idem

Deposits of foreign corporations doing business under Art. II must be of same class or kind required of domestic companies.

(See Op. A. G. June 20, 1894.)

Idem

Foreign company desiring to do a life and accident business must deposit maximum amount.

(See Op. A. G. Jan. 25, 1905.)

Section 27 — Funds and Capital of Insurance Corporations Incorporated Outside of the United States

Amount of capital paid in by foreign life company at home state is immaterial, so long as requisite amount is deposited in this State.

(See Op. A. G. May 10, 1900.)

Section 28 — Special Deposit Required in Certain Cases

Protection afforded by a deposit made by a foreign insurance company with the Superintendent of Insurance for the benefit and security of its policyholders in the United States includes policyholders in Porto Rico.

(See Op. A. G. March 27, 1912.)

Section 29 — Copy of Charter and Verified Statement to be Filed

Foreign insurance company seeking to do business in the State must file copy of charter certified to by official having custody of the original charter.

(See Op. A. G. July 15, 1910.)

Section 30 — Appointment of Attorney; Removal of Cause to Federal Courts

Unauthorized Foreign Company May Not Appoint Attorney

Superintendent should not file designation by foreign company not authorized to transact business in this State.

(See Op. A. G. Jan. 9, 1909.)

Section 31 — Certified Copy of Superintendent's Certificate to be Filed in the Clerk's Office

Superintendent of Insurance may dispense with the publication of a certificate of authority to do business required by section 31 of the Insurance Law, to an insurance corporation incorporated under the laws of the state of Iowa and authorized since Feb. 24, 1885, to transact business in this State as an assessment life company under Article VI, upon reincorporation under Article II as a mutual life company and admission to do business in this State.

(See Op. A. G. Nov. 9, 1911.)

Section 34 — Taxation of Foreign Corporations

Taxation of Benefit Funds

Accumulations for the insured held by life insurance corporations (foreign and domestic), except funds invested in stocks or real estate, are exempt from taxation.

(See Op. A. G. June 28, 1897.)

Total Premiums Less Amount Taxable in Other States are Subject to Taxation in This State

Life insurance companies should report the total amount of premiums received by its agents in this State and such premiums, less such part thereof as may have paid a tax to any other state, are subject to taxation under section 34 of the Insurance Law.

(See Op. A. G. Feb. 17, 1911.)

Section 36 — Officers and Directors not to be Pecuniarily Interested in Transactions

SUB. 2. PECUNIARY INTEREST

Officer of Corporation Selling Securities Not to Act on Finance Committee of Corporation Making Purchase

Extract from letter dated April 17, 1907, from the Superintendent to the Home Life Insurance Company.

"There is no prohibition in section 36 of the Insurance Law against an officer of one corporation being a stockholder or officer of another, or of corporations under such circumstances doing business with each other, but in the investment of assets and the employment of financial agencies for the purpose, I think it questionable if the law permits active participants in negotiations for the purchase and sale of securities, or who advise as experts in relation thereto, to be one and the same person. The spirit of the law seems opposed to such a contention whether a technical provision is found against it or not."

Loans and Investments May be Made in Another Corporation Whose Officers Are Directors of the Insurance Company Provided They Have No Personal Interest

Extract from letter dated December 5, 1907, from the Attorney-General to the Superintendent of Insurance.

" * * * I am of the opinion that the questions asked should be answered as follows:

'First. Can a life insurance corporation, through its directors or officers, make a loan to any corporation in which its (the life insurance corporation) directors or officers are stockholders?'

Yes, provided that their only interest in the loan is as stockholders of the borrower.

'Second. Where a director or officer of a life insurance corporation is also actively connected with the management of another corporation, does the statute prohibit the life insurance corporation from loaning money to or purchasing securities from such corporation?'

'Third. If a life insurance corporation, under section 36 of the Insurance Law, is not permitted to loan to or buy securities from a corporation in which its officers are stockholders or actively participating in its management, can such life insurance corporation make loans to such other corporation or buy its securities through the agency of brokers? * * *'

The transactions mentioned in the questions are not prohibited by the statute, provided the 'director or officer' of the insurance corporation has no personal interest therein and that the transaction was fair and no advantage was taken of his position to secure his own advantage or that of the other corporation.

'Fourth. Where a life insurance corporation, through its finance committee, purchased bonds of a railroad corporation, not from the railroad corporation itself but from a third person, and two members of such finance committee were respectively president and secretary of such railroad corporation, is this transaction prohibited by this section?'

No, provided the two persons named had no interest in the specific securities purchased.

'Fifth. Can a brokerage firm, of which a director of an insurance corporation is a member, act as broker for the insurance corporation in the purchase or sale of securities and receive commissions therefor?'

No."

* * * * *

Employment of Director as Architect to Construct Home Office Building Violates Spirit of the Law

Extract from letter dated October 8, 1910, from the Superintendent to the Chief Examiner of Life Companies.

"* * * You state that:

'The examination of the _____ Company developed the fact that a director of the company is the architect employed to draw plans and to supervise the construction of their new office building. The question arises, therefore, whether this can possibly be a violation of section 36, which prohibits an officer or director from being pecuniarily interested in any purchase. In other words, is the construction of the home office building a purchase of property under section 36? The director is to receive a commission of 5 per cent. for his services in this matter.'

I am of the opinion that the transaction in question is a violation of the spirit though not of the letter of the law; the intent of the latter is clearly shown by its caption 'Officers and directors not to be pecuniarily interested in transactions of their corporations.'"

Section 39 — Examiners and Examinations

Examination by Foreign Officials

Foreign officials have no legal right to examine domestic life insurance corporations.

(See Op. A. G. June 19, 1894.)

Examiners May Administer Oaths

Examiners have power to administer oaths to officers and agents of corporations examined by them.

(See Op. A. G. Oct. 16, 1900.)

Report on Examination Should Show Existing Facts as Found by the Department

In an examination to determine the financial status of a company the Department should treat their action in declaring and paying dividends as proper, irrespective of the fact that dividends were possibly improperly declared.

(See Op. A. G. June 20, 1906.)

Superintendent May Examine After Report is Filed

Superintendent may examine company after report is filed; company not required to segregate business between assessment and legal reserve business.

(See Op. A. G. Oct. 17, 1907.)

Witness Testifying Before Examiners Not Immune from Criminal Prosecution

Persons testifying upon investigations made by examiners of the Department of Insurance, under section 39 of the Insurance Law, are not thereby rendered immune from criminal prosecution under the provisions of chapter 239, Laws of 1906.

(See Op. A. G. February 18, 1908.)

Instructions to Department Counsel in re Examinations

Extract from "Instructions to Department Counsel and to companies, associations, etc., under the supervision of the Department, concerning the examinations of title to real estate," dated March 19, 1912.

"On and after this date examinations of the evidences of title to real property owned by or mortgaged to corporations, societies, orders or associations supervised by this Department will be made in accordance with the following rules:

A. In cases where title to such property is insured by a title guaranty company:

(1) The Department will accept as good evidence of title according to their import, the title insurance policies issued by any company authorized to transact the business of title insurance in the State of New York. The Department will also accept the similar policies of companies not authorized in this State, provided there is attached to each such policy, or filed therewith, a certificate from the supervising official or department of the State in which the real estate is located, that such company is duly incorporated and authorized to transact the business of title insurance in that State and is under the supervision of such official or department, and setting forth its capital and surplus as of the date of its last report * * *."

Title Policies Approved Under Rule A

Extract from Opinion of Department Counsel dated November 15, 1912.

"The certificate of indefeasible title by the District Register under the Land Registry Act of the Province of British Columbia is an absolute guaranty of the title certified thereby and should be at least equally acceptable to this Department as evidence of title to real property with a policy of title insurance submitted in compliance with Rule A of Instructions to Department Counsel dated March 19, 1912."

Title Policies Disapproved Under Rule A

Extract from Opinion of Department Counsel, dated January 2, 1913.

"The Department should decline to approve the acceptance by the Equitable Life Assurance Society as evidence of title to real property in Tennessee, of title policies issued by the Bank of Commerce and Trust Company of Memphis without the certificate required by Rule A, sub. 1 of Instructions to Department Counsel of March 19, 1912."

Idem

Extract from Opinion of Department Counsel dated February 6, 1913.

"The Department should decline to approve the acceptance by the Home Life Insurance Company as evidence of title to real property in Georgia of title policies issued by the Atlantic Title

Guaranty Company where the company has not the charter required of Insurance Companies by the laws of Georgia and is therefore unable to furnish the certificate required by Rule A, sub. 1 of Instructions to Department Counsel, of March 19, 1912."

Section 44 — Reports of Corporations

Appraisal of Securities

Chapter 34, Laws of 1891, which provides that the estate of any insolvent or deceased person shall be appraised at its full value taking into account the actual sales of neighboring real estate or the average market value of stocks and bonds, does not govern the action of the Superintendent of Insurance in auditing annual statements of existing insurance corporations engaged in the regular conduct of their business. The Superintendent is not required to appraise the market value of securities as of any specified day; he should use his discretion in determining the fair market value of such securities.

(See Op. A. G. July 17 and 19, 1907.)

Section 49 — Agents

Certificate of Does Not Authorize Acts of Agency for Other Than Corporation Designated

An agent authorized to act in one company may not, in case his company takes part of a proposed risk, place remaining portion of risk in another company through that other company's agent.

(See Op. A. G. Feb. 8, 1908.)

Section 50 — Agent's Certificate of Authority

Foreign Corporation as Agent

Foreign corporation can only act as agent for procuring insurance when expressly authorized so to do by its charter or when it has received such authority from this State.

(See Op. A. G. Nov. 16, 1893; July 22, 1897.)

General Agent for Foreign Company Must Have Certificate

General agent in this State signing policies issued by foreign company within penalty of section.

(See Op. A. G. June 2, 1904.)

Unauthorized Company Cannot Collect Premiums Through Agent

A foreign life company, not authorized to do business in this State, cannot establish agency in this State solely to collect premiums.

(See Op. A. G. Sept. 19, 1907.)

(See also § 91.)

General Superintendent of Agencies of Foreign Company Must Have Agent's Certificate

Extract from letter dated December 23, 1909, from the Superintendent to the New England Mutual Life Insurance Company.

"You state:

'My duties as general superintendent of agencies occasionally take me to New York city, also to Binghamton, Buffalo and Rochester, where we have general agencies. Occasionally, on such trips, I am requested to assist in closing a difficult case and heretofore have co-operated along these lines but without in any way, shape or manner receiving any commission or other compensation for such services in obtaining new business. As I am an officer of this company and the company is authorized to do business in your State, is it necessary that I should have an agent's license in order to operate along the lines suggested above?'

To your question my answer is yes."

Section 52 — Reorganization of Existing Corporations and Amendment of Certificates

Effect of, on Revaluation of Policies

A company which has changed from an assessment into an ordinary life company may not revalue policies as provided in section 52.

(See Op. A. G. June 20, 1906.)

Idem

Where a company has so circumstanced a portion of its policies that sections 52 and 84 are inadequate, section 85 applies.

(See Op. A. G. June 1, 1907.)

Section 54 — Conduct of Insurance Business by Persons Not Incorporated

Agent Must Not Represent Unauthorized Company in Adjusting Claims

Extract from letter dated December 23, 1914, from the Superintendent to S. J. Rosenblum of New York City.

"You ask to be advised 'whether it is a violation of section 1199 of the Penal Law to assist in the adjustment of life insurance claims in this State for companies not licensed to transact the business of life insurance here.'

It is my opinion that it would be a violation of the provisions of the section for any one to act *for the company* in adjusting claims against a life insurance company not authorized to transact business in this State, except in the case of an attorney appearing for the company in a suit brought against it.

Your attention is called to the following cases:

Stone v. Penn Yan, K. P. & B. Railway, 197 N. Y. 279.

Hammond v. International Realty Co. et al. N. Y. Supreme Court Trial Term, 116 N. Y. Supp. 854."

Unauthorized Companies Must Not Employ Medical Examiners in This State

Extract from letter dated March 11, 1914, from the Superintendent to Wilson M. Brown of San Antonio, Texas.

"In my opinion, it would be a violation of the law of this State for the Cherokee Life Insurance Company to employ any person to aid it in the transaction of business in this State, even to employ a medical examiner to make a medical examination; but if your son should employ a medical examiner whose examination would be satisfactory to that company, there would be no violation of the law of this State."

Section 55 — Insurance Without the Consent of the Insured Prohibited

Creditor May Not Insure Life of a Debtor

Extract from Opinion of Department Counsel, dated February 16, 1910. "

"The ——— Company has presented, for approval, a form of policy which it designates as a 'creditor policy.' It is clearly

apparent that the creditor is to apply for insurance upon the life of the insured under the policy. It is my opinion that such form of policy is prohibited by section 55 of the Insurance Law, which provides that no policy, save in the cases therein mentioned, shall be written except upon the application of the *insured*."

Assessment Company May Not Insure Infant

Assessment life insurance corporations may not issue infantile policies on the prudential plan.

(See Op. A. G. Nov. 1, 1892; Aug. 29, 1907; March 23, 1910.)

Beneficiary May Be an Institution but an Institution May Not Apply for Insurance

Extract from letter, dated August 10, 1911, from the Superintendent to John L. Blanchet.

"* * * I do not know of any provision of the Insurance Law 'that prohibits the issuing of a life insurance policy having an institution the beneficiary instead of a person.'

If the application for such policy were to be made by the institution it would fall within the prohibition of section 55 of the Insurance Law which provides that no policy, save in certain cases mentioned, shall be written except upon the application of the insured."

Premium May be Paid by Assignee

Company may pay for life insurance policy of purchaser of its timber lands on installment plan, said policy to be assigned to the company until all installments are paid.

(See letter dated April 11, 1911, from the Superintendent to The California Timber & Development Company, Inc., § 97, sub. 4.)

Annual Premium Policies May Not be Paid for in Monthly Installments

(See letter dated Sept. 25, 1912, from the Superintendent to the Massachusetts Mutual Life Insurance Company, § 89, sub. 4.)

**Section 58 — Policy to Contain the Entire Contract;
Statements of Insured to be Representations
and not Warranties**

SUB. 1. POLICY TO CONTAIN ENTIRE CONTRACT

*Annual premium policies may not be paid for in monthly install-
ments*

(See letter dated Sept. 25, 1912, from the Superintendent to the Massachusetts Mutual Life Insurance Company, § 89, sub. 4.)

SUB. 3. ENDORSEMENTS ON STANDARD FORMS

*Application May be Made Part of Contract by Endorsement or
Attachment*

Extract from letter dated August 8, 1906, from the Superintendent to the Security Mutual Life Insurance Company.

“Section 58 of the Insurance Law clearly provides that the application for a life insurance policy to be issued on and after January 1, 1907, may be made part of the contract by endorsement thereon or attachment thereto.”

(See ruling of Aug. 3, 1909, § 101 (new), sub. 3.)

(See also letter dated June 16, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Company, § 89, sub. 3, last paragraph.)

*Endorsement Covering Extra Hazard May be Used in Standard
Policy*

Extract from letter dated January 16, 1907, from the Superintendent to New York Life Insurance Company.

“Your favor of the 15th inst., enclosing a sample standard life insurance policy showing the endorsements used to cover the extra hazard when insured has had an attack of appendicitis within two or three years prior to applying for insurance, has been received.

I am of the opinion that the use of these endorsements is permitted by the provisions of section 58 of the Insurance Law.”

Endorsement Giving Additional Options in Deferred Annuity Contract May be Used

Extract from letter dated March 4, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"I am in receipt of your favor of the 3d inst., reading as follows:

'The standard annuity form, as promulgated by the Superintendent of Insurance, contains the following provision in the case of a deferred annuity by annual premiums:

After this contract shall have been in force three full years, if any subsequent premium is not duly paid, this contract will automatically become paid-up for an amount of annuity equal to as many * * * parts of the original annuity as there shall have been full years' premiums paid thereon at the time of default in the payment of premium. Such paid-up annuity shall be subject to the conditions of this contract, but without further payment of premium.

We desire to issue a deferred annuity by annual premiums and to grant additional options in the event of lapse after three years. Would such additional options be permitted under the standard form?'

I am of the opinion that section 58 of the Insurance Law will permit the indorsement upon or the attachment to the contract in question of additional options which shall not conflict with any of the provisions of such law."

SUB. 4. REPRESENTATIONS

Form of Application Should be Worded in Accordance with Section

Extract from letter dated November 21, 1906, from the Superintendent to the Metropolitan Life Insurance Company.

"I am of the opinion that the form of application used by any company should be worded in accordance with that provision of section 58 which reads: 'All statements purporting to be made by the insured shall, in the absence of fraud, be deemed representations and not warranties.'"

Any Waiver in the Application Shall be Void

Ruling of August 3, 1909.

"There was submitted a certain form of application which contained these words: 'That I hereby *warrant* each and every

statement herein made or contained to be full, complete and true.' Also this: 'And that if any * * * untrue statement or answer be made or contained herein, then the said policy and this contract shall be *ipso facto* null and void.'

The ruling thereon was as follows: 'This is plainly in violation of the provisions of section 58 of the Insurance Law. The last clause of that section reads: Any waiver of the provisions of this section shall be void.' "

Section 60 — Estimates and Misrepresentations Prohibited

SUB. 1. PROFITS AND DIVIDENDS

Illustration of Estimated Profits May Not be Circulated; Policy Must Contain Entire Contract

Extract from letter dated May 29, 1906, from the Superintendent to the Associate General Agent of The Northwestern Mutual Life Insurance Company of Buffalo.

"Your favor of the 26th inst., enclosing copy of an illustration of the profits estimated to be paid by the Fidelity Mutual Life Insurance Company on one of its 20-payment life policies with deferred dividends has been received.

It is the opinion of the Department that such an 'illustration of profits' cannot legally be issued or circulated in this State at this present time.

On and after January 1, 1907, every policy of life insurance issued or delivered within this State shall contain the entire contract between the parties and therefore the guaranties that show in the illustration you enclose, after the date named, would necessarily be incorporated in the policy itself."

Prohibition Applies to False Estimates Only, Not to Estimated Dividends Based on Actual Dividends Company is Paying

Extract from letter dated November 21, 1906, from the Superintendent to Connecticut General Life Insurance Company.

"You state that the estimated dividends in your enclosures 'are according to the actual scale which has been in use by this company since 1901;' that the new form will in all probability

oblige you to change your dividend scale somewhat, and you ask for a construction of section 60 of the Insurance Law.

In my opinion 'estimated dividends' based upon the actual dividends you are paying, and shall arrange to pay upon the new form of policy, are not such as are prohibited by section 60; the prohibition applies to false estimates only — 'misrepresentations.' "

Illustrations of Profits Must Represent Present Day Results

Ruling of August 3, 1909.

Comments on an advertising booklet, "The Best Policy."

"The illustrations of cost, on pages 13 and 14, are misleading. Two of the policies there used as illustrations of cost (or profits) were issued in 1869, one was issued in 1872, one in 1873, and the one bearing the most recent date was issued in 1874. It is submitted that policies which became paid-up from fifteen to twenty years ago are not fair illustrations of present day results. According to the annual report of the company filed with this Department (as of December 31, 1908), showing dividends on twenty premium life policies, the accretions to such a policy as No. —, had it become paid up in 1908, would have been less than one-half the amount stated in the illustration. * * * Advertising literature should, so far as possible, deal with present conditions and illustrations of results should be drawn from recent settlements under policy contracts which were of the same general character as those now lawfully issued in this State."

Memorandum of Cost Approved

Extract from a letter dated June 25, 1910, from the Superintendent to the Union Central Life Insurance Company.

"Your favor of the 23d inst., submitting for approval 'a memorandum of cost', is received. I would advise you that a statement worded as follows would be approved by me: 'First dividend at end of second year on basis of dividend paid in 1910 on issues of 1908, should be about ————— (stating the actual dividend paid).'"

*"Partnership Proposition" Showing Actual Dividends Paid May
be Circulated*

Extract from letter dated October 31, 1910, from the Superintendent to the
Northwestern Mutual Life Insurance Company.

"Your favor of the 28th inst., enclosing a proposed 'partnership proposition' to be used in soliciting partnership insurance among large firms in your city, is received.

In my opinion dividend estimates based upon the actual dividends your company is paying and shall arrange to pay upon the form of policy in question are not such as are prohibited by section 60 of the Insurance Law; the prohibition applies to false estimates only, 'misrepresentations.'"

*Comparative Reports of Various Life Insurance Companies May
be Circulated*

Extract from letter dated May 31, 1911, from the Superintendent to
Goldberg & Erenstoft, New York.

"* * * You state:

'A client of ours is considering the advisability of rendering comparative reports of the various life insurance companies to those considering the taking of insurance out of one company or another * * *. Our said client has no connection at present with any insurance company.'

At this time I should not consider the making of such reports a violation of law."

*Circular Letter of Feb. 21, 1913, in re "Comparisons of
Dividends"*

"Owing to the many inquiries relating to comparisons of dividends which have been made of late by life insurance agents and others it is thought best to advise you that:

'This Department holds that any comparison which purports to give the net cost or other benefits to be had in the future, such comparison being between two or more companies transacting business in this State, must be complete. If such comparison is incomplete it is misleading within the terms of section 60 of the Insurance Law of this State, and is, therefore, prohibited. A comparison to be complete must give all of the benefits, non-forfeiture or otherwise, the reserve basis and in the case of non-participating companies, proper value should be given to the saving of excess premiums in the early years, if any.'

The Department trusts that the various companies and their agents will comply with the spirit and letter of this ruling; kindly acknowledge receipt."

Comparisons of Future Net Cost Must be Complete

Extract from letter dated February 28, 1913, from the Superintendent to the Connecticut General Life Insurance Company.

In reply to your favor of the 25th inst. I would state that if you will read the ruling of the Department carefully, you will find that it only applies to net cost in the future. This Department has no objection to comparison of net cost in the past, if it is not done for the purpose of twisting business, but if your company desires to compare the cost of a policy in your company in the future with that of another company, you must give a complete comparison as to all benefits. The dividend comparisons published both by the Spectator Company, Flitcraft and others, as I understand it, are in comparison as to past facts and not future estimates.

Idem

Extract from letter dated February 28, 1913, from the Superintendent to the Home Life Insurance Company.

Your favor of the 25th inst. received, and in reply to the same I would state that the ruling of this Department only applies to comparison of the future net cost and had no reference to comparisons of past net cost. Section 60 prohibits misleading estimates, and this Department ruled that an incomplete comparison of net cost was a misleading estimate. The schedules of dividends paid in the past, published in the Department's report and other reports and publications, are not objectionable, unless they are used in an effort to twist policies.

Estimate of Future Dividends Must be Given in Detail

Extract from letter dated February 27, 1913, from the Superintendent to F. S. Eggleston.

"In reply to your favor of the 24th inst. I would state that if the Phoenix Life Insurance Company of Hartford, or its agents,

make any statement estimating future dividends, it must state them in detail, giving the amount of the dividend for the first and succeeding years for as long a term as is estimated. This will give the policyholder who purchases the policy an opportunity to check up company's estimate as soon as it commences paying dividends."

Words "Non-renewable," "Non-convertible" Must be Used When Term Form Does Not Provide for Renewal or Conversion

(See ruling of Jan. 15, 1913, new section 101, p. 356.)

SUB. 2. TWISTING

Misrepresentations of Agent Concerning Policies of Another Company

Extract from an opinion by the Superintendent, dated July 8, 1909, in the matter of Burr.

"Section 60 of the law was enacted to prevent the unsettling of insurance already written. If enforced, it protects the business of companies from raids from unscrupulous agents of other companies on policies already in force and it also protects the insured from the loss which inevitably follows the lapsation of insurance in any reputable company. The only one who really gains by the process of shifting insurance of some years' standing from one such company to another is the agent who is making his commission in the transaction. It is confusing and difficult enough for the ordinary layman to come to a conclusion regarding his insurance amid the persistent and conflicting advice to which he is subjected from resourceful and eloquent agents as soon as he shows the first symptoms of becoming a willing and select risk. But when he has solved the problem once to his satisfaction and has deliberately chosen his company and become insured therein, the least that can be asked is that he be left to pay his premiums and enjoy his insurance in peace. If, however, this is asking too much of an over zealous agent who, driven by an ever compelling desire to earn a commission, must argue and argue with him to change his insurance to the particular company he represents, then the least the Department can do to help maintain normal conditions in the insurance field is to insist in a very positive manner

that nothing but the unadorned truth will be tolerated from such agents engaged in this so-called 'readjusting' business. This it intends to do."

Business Belongs to Company; Expirations to Agent

Extract from letter dated November 14, 1912, from the Superintendent to William H. Bell.

"This acknowledges your letter of November 8th, with reference to the respective rights of agents and companies in the business of insurance placed by the agents with the companies, with particular respect to health and accident policies.

"It is our view that when a company has paid a commission for a policy or policies of insurance, the business belong to the company for the period of the insurance covered by the policy; and that, while the 'expirations' belong to the agent, fair dealing forbids an agent to disturb or twist such business before its expiration."

Section 70 — Incorporation

SUB. 1. INSURANCE UPON LIVES OR HEALTH

Insurance Against Disability or Disablement Distinguished from Accident Insurance

Extract from letter dated April 9, 1909, from the Attorney-General to the Superintendent of Insurance.

"* * * Subdivision 1 of § 70, under which the Liberty Life Insurance Company is incorporated, provides that corporations formed under its provisions may write the following kinds of insurance:

'1. Upon the lives or the health of persons and every insurance appertaining thereto and to grant, purchase or dispose of annuities.'

* * * * *

It is * * * my opinion that the Liberty Life Insurance Company, under subdivision 1 of § 70, has the right to issue policies or to reinsure outstanding policies of other companies which indemnify the insured against disability or disablements from whatever cause resulting, so long as accident insurance as such is not issued * * *."

(See Op. A. G. Feb. 23, 1909, § 22.)

Life Insurance Policy May Have Attached Health Insurance Rider

Ruling of November 3, 1909.

"Companies organized under subdivision 1, of section 70, may attach to their life insurance policies health insurance riders."

Authorized and Prohibited Risks

Charter of foreign life and accident company construed strictly against incorporators; where special powers are given under special act, powers are not enlarged by general act.

(See Op. A. G. Nov. 17, 1892.)

Idem

Foreign mutual life company may not be admitted to do business as a stock company.

(See Op. A. G. July 2, 1895.)

Idem

Undertakers and medicinal supply company may incorporate under sub. 1 of section 70.

(See Op. A. G. Aug. 19, 1895.)

Idem

Life insurance company may not be incorporated for the purpose of insuring invalid lives exclusively.

(See Op. A. G. Oct. 10, 1895.)

Idem

Foreign life and trust company combining banking with a contract of insurance may not be admitted.

(See Op. A. G. May 14, 1896.)

Idem

Extract from letter dated June 10, 1914, from the Superintendent to F. W. Spicer.

"Your favor of has been received.

Your first inquiry reads as follows: 'Are there at the present time licensed to do business in the State of New York, life insurance companies devoted entirely and exclusively to the writing of policies for substandard risks?'

To this my answer is no.

Your second inquiry reads as follows: 'If there is not such a company, what conditions would it be necessary for a new company to comply with, to meet the requirements of the laws of this State and of the rules of your Department in order to be licensed to do a business of writing exclusively substandard business?'

To this my answer is that the Insurance Law makes no provision for the incorporation in this State of a life insurance company to write substandard risks exclusively, consequently no rules have been formulated by the Department for the licensing of a life insurance company to do the class of business mentioned."

SUB. 10 (now Sub. 9). AUTOMOBILE COLLISION INSURANCE.

*Automobile Collision Contracts Authorized Under Sections 70
and 150*

Extract from letter dated March 14, 1908, from the Attorney-General to the Superintendent of Insurance.

"It is my opinion that such insurance is permitted by companies incorporated under section 70 and (or) section 150, but not by those incorporated under section 110."

Section 71 — Completion of Organization

Reduction of Capital Stock

Right to reduce capital stock not limited to cases where capital stock has been paid in.

(See Op. A. G. Feb. 9, 1903.)

Subscription to Capital Stock Prior to Admission

Subscription to capital stock subsequent to filing declaration prior to admission allowed.

(See Op. A. G. Aug. 6, 1903.)

Excess Deposits May Be Returned

The Superintendent of Insurance has authority to return to a life insurance company securities on deposit with him in excess of the amount required by the statute to be so deposited. Distinction between old and amended law with reference to return of excess deposits pointed out.

(See Op. A. G. July 1, 1909.)

Section 83 — Distribution of Surplus to Policyholders**SUB. 1. ANNUAL DIVIDEND POLICIES**

Word "Issued" as Used in Sections 83 and 102, Synonymous with "Written," as Used in Section 103

Extract from letter dated January 8, 1907, from the Superintendent to the Provident Savings Life Assurance Society.

" * * * Your statement: 'That the meaning of the word *issued* as used in the Armstrong Amendments (in §§ 83 and 102), imports a different act from the act of delivery which by the terms of the contract would give the policy its legal inception and is used synonymously with the word *written*, as used in insurance parlance and in section 103 of the law,' is, in my opinion, correct."

SUB. 2. DEFERRED DIVIDEND POLICIES

Deferred Dividend Policies Cannot be Issued at Home or Abroad After January 1, 1907

Extract from letter dated December 3, 1906, from the Superintendent to the Germania Life Insurance Company.

"Policies with deferred dividend periods as mentioned in V. of your letter cannot be issued at home, or abroad, after January 1, 1907. See section 83 of the Insurance Law."

Life Companies Prohibited From Writing Other Than Annual Dividend Contracts No Matter Where Delivered.

Extract from letter dated December 8, 1906, from the Superintendent to Hon. B. F. Carroll.

"Replying to your favor. would state that on and after January 1, 1907, New York life insurance corporations are prohibited from writing other than annual dividend contracts, no matter where the contracts are to be delivered."

Deferred Dividend Policies Issued Prior to January 1, 1907, Not Affected by Provisions of the Law

Extract from letter dated February 15, 1907, from the Superintendent to the Editor of The World's Work.

"Your favor of the 14th instant, relating to deferred dividend policies issued prior to the passage of the insurance laws of 1906, is received. * * *

The provision of section 83, requiring distribution of surplus to be made annually, applies to policies issued on and after the 1st day of January, 1907. * * *

(See extract from letter dated August 16, 1906, from the Superintendent to "The Western Underwriter," § 97, sub. 1.)

Return Premium Feature May Not be Added to Deferred Dividend Policies

Extract from letter dated March 5, 1907, from the Superintendent to the New York Life Insurance Company.

"In your favor you state:

'We occasionally have requests to add the return premium feature to deferred dividend policies issued prior to this year. Would it be contrary to law, in your judgment, to make such a change, provided the date of the contract were 1906 or prior?'

In my opinion such a change should not be made unless it be made in accordance with an express provision of the original contract."

Deferred Dividend Policy Issued Prior to January 1st May be Exchanged for Two Policies Equal in Value to the Single Policy.

Extract from letter dated March 12, 1907, from the Superintendent to The Washington Life Insurance Company.

"In your favor you ask:

'Where a policy has been issued — say for \$10,000 of insurance prior to January 1st, last, under the deferred dividend plan, and where the insured now desires to have this policy separated into two policies for \$5,000 each, can a company issue two policies of \$5,000 each in exchange for the surrender of the original policy, said policies to bear the date of the original policy and to be issued under the same plan?'

I am of the opinion that such an exchange of policies can lawfully be made."

Deferred Dividend Policy Issued Prior to January 1, 1907, May be Changed to Endowment Policy

Extract from letter dated April 23, 1907, from the Superintendent to the Home Life Insurance Company.

"* * * You ask for a decision on the following point:

'In the case of a limited payment life or ordinary life policy issued prior to January 1, 1907, with a deferred dividend period, will the company be violating either the spirit or the letter of the law if, upon request, the

original policy is changed to an endowment policy for the same amount, the changed form of policy bearing the same date as the original and the premium consideration being that for the age at which the policy was originally issued with a deferred dividend period for the same term of years as the original policy?'

I am of the opinion that the change, as stated, may be made."

Deferred Dividend Policy Issued Prior to January 1, 1907, May be Exchanged for Another Form with Same Deferred Dividend Period

Extract from letter dated August 14, 1908, from the Superintendent to the Fidelity Mutual Life Insurance Company.

"Your favor of the 13th inst. is received. You state:

'We would be pleased to have your ruling with reference to changes which are sometimes desired in policies issued prior to January 1, 1907. It sometimes happens that a policyholder insured under a policy which by its terms defers the distribution of surplus to some future date more than one year beyond the date of issuance of the policy, desires to have the same changed to another plan, the changed policy to be issued as of the same original date and age. To illustrate: There may be a policyholder having an ordinary life policy with dividends deferred for twenty years, issued five years ago, who now desires to have the same changed to 20-payment life or 20-year endowment, the changed policy to be in all respects the same as if it had been applied for and issued five years ago, and containing the same provisions as to deferring dividends.'

To this my answer is that a deferred dividend policy issued prior to January 1, 1907, may after that date be exchanged for another form of policy with the same deferred dividend period, written on the original age and date of issue."

SUB. 3. EXISTING DEFERRED DIVIDEND POLICIES

Sums Held for Account of Existing Deferred Dividend Policies Shall be Set Aside Annually

Extract from letter dated January 25, 1907, from the Superintendent to Mr. H. R. Lawford.

"Section 83 provides for the ascertainment and distribution annually of its proportion of the surplus to every policy issued on and after Jan. 1, 1907. It also provides for the setting aside annually of 'such sums as may properly be held for account of existing deferred dividend policies.'"

Statement of Accumulations on Deferred Dividend Policies Heretofore Written Not Required

Extract from letter dated February 20, 1907, from the Superintendent to Mr. Edward F. Walsh.

" * * * The new Insurance Law does not require companies which have heretofore written tontine or deferred dividend policies to make any statement to a policyholder as to the amount accumulated on these forms, before the end of the period for which the distribution has been deferred."

SUB. 4. SURPLUS — EARNED OR SAVED

Deferred Dividend or Non-participating Plan in Mutual Company Issued in 1906, Not Completed Until 1907

(See letter dated November 27, 1906, from the Superintendent to New York Life Insurance Company, appearing under § 101, sub. 1 (old), standard policy form.)

Surplus Earned During Year Need Not be Ascertained Until End of the Year 1907

Extract from letter dated November 28, 1906, from the Superintendent to The Mutual Life Insurance Company.

"I am clearly of the opinion that the sentence: 'Upon the thirty-first day of December of each year, or as soon thereafter as may be practicable, every corporation shall well and truly ascertain the surplus earned by such corporation during said year' does not apply to the present year; it does not become applicable until the end of the year 1907."

Apportionment of Dividends Shall be Made Annually

Extract from letter dated February 4, 1907, from the Superintendent to the Home Life Insurance Company.

"I am of the opinion that this provision of the section simply requires that the determination and apportionment of dividends shall be made annually as soon after the thirty-first day of December in each year as it may be found possible, proper allowance being made for all necessary work connected therewith."

When Declared Dividends Considered a Liability

Upon examination, Superintendent must regard declared dividends as a liability.

(See Op. A. G. June 20, 1906.)

Idem

Dividends for 1905, credited during that year to several policies, but not paid, should be considered a liability of the company, if the company had surplus when such dividends were credited.

(See Op. A. G. June 1, 1907.)

Policyholders May Not be Discriminated Against

Life insurance company should not discriminate among policyholders in distribution of profits.

(See Op. A. G. June 8, 1908.)

No Surplus Paid or Credited on Policy Unless Saved or Earned

Extract from letter dated June 7, 1909, from the Superintendent to the Provident Life and Trust Company.

"Of course, if there be no 'surplus to divide at the end of the first year,' or any other year in the life of a policy, there will be nothing paid on or credited to it."

Policy Cannot Defeat Right of Election to Direct Manner in Which Dividends Shall be Paid

Ruling of September 4, 1909.

"Certain policy forms which were submitted contained a provision: 'That unless used as provided for, all distributions of surplus *shall* remain in the hands of the company.' The ruling thereon was as follows: 'The use of the word *shall* in forms 7, 8, 9, 29 and 37 in the clause relating to the distribution of surplus, is deemed objectionable for the reason that it indicates, primarily, an obligation on the part of the policyholder to leave the dividends with the company without electing annually the manner in which such dividends shall be applied, as required by the terms of section 83 of the Insurance Law. In such a matter the practice of a company should conform to the statute and the substitution of the word *may* in place of the word *shall* will more nearly meet the requirements of section 83.'"

Paid-Up Clause Not Defeating Options May be Used

Extract from letter dated August 16, 1910, from the Superintendent to Messrs. Hanson & Dickson.

“ You ask:

‘ If a policy containing such a clause as—upon default in the payment of any premium, this policy will be binding upon the company as participating paid-up insurance for a reduced amount, payable at the same time and on the same conditions as under the original contract—or one similar thereto, may lawfully be issued in this State, at the present time, by a New York or Massachusetts life insurance company.’

To this my answer is, yes, in connection with ‘ the options to which the policyholder is entitled in the event of default in a premium payment after three full annual premiums shall have been paid.’ ”

Policyholder May Elect Annual Dividend Option in Advance

Extract from letter dated February 26, 1914, from the Superintendent to the New York Life Insurance Company.

“ You state:

‘ In complying with section 83 of the New York law, this company mails annually, to the holders of all annual dividend policies, a statement showing the dividend apportioned thereto, indicating the manner in which the dividend may be applied.

‘ Will you be good enough to advise us whether, in your judgment, there is anything in the above section to prevent a policyholder from giving notice in advance that he desires to have his dividend as declared each year placed to the credit of his policy to accumulate at interest.

‘ We have heretofore taken the position that the insured must make his selection each year. Many of our policyholders object to this ruling and insist upon the company recognizing their previous request.’

I am of the opinion that there is nothing in the section to prevent a policyholder giving notice in advance of his selection, such selection to hold good ‘ until further notice,’ the change, if any, to take effect on an anniversary of the date of issue of the policy.”

Payment of Dividend May be Made Contingent upon Payment of Second Annual Premium

Extract from letter dated February 21, 1911, from the Superintendent to The Union Central Life Insurance Company.

“ * * * You state;

‘ We propose paying a dividend at the end of the first year on policies issued in 1911 and will be obliged for an expression of your opinion, whether

under the New York laws such first year dividend may be made contingent upon the payment of the second annual premium.'

I would advise you that there is nothing in the Insurance Law to prevent such payment of dividend."

No Provision in the Insurance Law by Which Life Companies Would be Bound to Pay Dividends at the End of the First Year

Extract from letter dated September 25, 1911, from the Superintendent to R. C. Hunter.

" * * * There is no provision in the Insurance Law of this State by which 'all life insurance companies issuing policies in your (this) State would be bound under the law to pay a dividend at the end of the first year.'"

Section 83 provides that:

'Except as herein provided, every domestic life insurance corporation heretofore or hereafter organized, whether incorporated by special act or under a general statute, anything in its charter or certificate of incorporation or in such special act or general statute to the contrary notwithstanding, shall provide in every policy issued on or after the first day of January, nineteen hundred and seven, that the proportion of the surplus accruing upon said policy shall be ascertained and distributed annually and not otherwise.'

New section 101, subdivision 5, provides that policies issued on and after January 1, 1910, shall contain 'A provision that the policy shall participate in the surplus of the company annually.' This agrees with the clause relating to participation in the standard forms of policies provided for by old section 101.

You will, of course, bear in mind the fact that a 'dividend' cannot lawfully be declared unless 'the surplus accruing upon said policy' is sufficient to warrant it."

SUB. 7. FOREIGN CORPORATION, PARTICIPATING POLICY

Foreign Company Must Provide for Distributing Surplus Annually in All Participating Policies (Industrial or Ordinary) Issued or Delivered by It in This State

Extract from letter dated January 3, 1907, from the Superintendent to the Columbian National Life Insurance Company.

"Section 83 of the Insurance Law provides that:

'A foreign life insurance corporation which shall not provide in every participating policy issued or delivered in this State on or after the first

day of January, nineteen hundred and seven, that the proportion of the surplus accruing upon said policy shall be ascertained and distributed annually and not otherwise, and which shall not ascertain and distribute the surplus accruing upon said policies annually either by providing for their payment in cash or their application to the payment of premiums or to the purchase of paid-up additions or for their accumulation as above provided in the case of domestic corporations shall not be permitted to do business within this State.'

This provision applies to 'every participating policy issued or delivered in this State' by a foreign life insurance company on or after January 1, 1907, regardless of the fact whether it is an industrial or an ordinary policy."

Automatic Feature of Applying Dividends Not Compulsory on Foreign Life Insurance Companies

Extract from Opinion of Department Counsel, dated October 25, 1909.

"The question of whether a foreign life insurance company, doing a participating business, will be permitted to issue policies in this State, which do not provide for the so-called automatic feature of applying the annual dividend to the purchase of paid-up additions in case the policyholder does not affirmatively elect the manner in which he desires his dividends applied, has been referred to me for opinion. Inasmuch as the main purpose of the section is to secure annual distribution in one of the four ways mentioned, and inasmuch as the four ways are set forth specifically for the guidance of domestic companies, it is my opinion that the words quoted have reference to such method of distributing surplus applicable to dividends rather than to that part of the section providing for the automatic feature and, in my judgment, the Department would be justified in permitting foreign life insurance companies to do business in this State whose participating policies provide that the dividends shall be ascertained and divided annually in one of such four ways."

Section 84 — Valuation of Policies

SUB. 1. VALUATION OF POLICIES

Valuation of insurance policies under new provisions of section 84.

(See Op. A. G. June 11, 1906.)

Idem

Company should be charged with special reserve as a liability where it appears that the company upon reorganization as a stock company agreed to set aside such reserve.

(See Op. A. G. June 1, 1907.)

Idem

Select and ultimate method involves the proposition that the minimum net valuation shall equal the mortality risk at select rates from the date of valuation to date when next premium falls due.

(See Op. A. G. Nov. 21, 1907; Jan. 27, 1908.)

SUB. 3. EXTRA HAZARDS

*"Special Class" Policies May be Valued on Table of Mortality
Based on Experience of a Company in This Class of Business*

Extract from letter dated August 27, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Section 84 of the Insurance Law provides a legal minimum standard of valuation for 'all contracts issued on and after the 1st day of January, 1907.' It also provides that: 'The Superintendent may vary the standards of interest and mortality * * * in particular cases of invalid lives and other extra hazards,' etc. This last provision will allow the adoption, for the purposes of valuing your 'special class' business, of a table of mortality based on the experience of your company with this class of risks.

Section 88 provides that the surrender values of policies issued on and after January 1, 1907, shall be based on the reserves computed according to the standard adopted in accordance with section 84 of the Insurance Law."

Valuation of Policies Issued on Underaverage Lives

Extract from letter dated November 22, 1906, from the Superintendent to New York Life Insurance Company.

"Your favor of the 21st inst., enclosing three forms of standard life insurance policies modified, 'In order to provide for ap-

plicants who are underaverage risks by reason of personal or family history, physical condition or occupation,' has been received. * * *

As to the valuation of this class of policies, I am of the opinion 'that the reserves and the single premiums for life, term, and pure endowment should be those for the true age of the insured plus the advance in age for impairment.' "

Valuation of Policies Issued in Semi-Tropical and Tropical Countries

Extract from letter dated September 17, 1906, from the Superintendent to New York Life Insurance Company.

"Your suggestion that: 'The standard for the valuation of policies and for single premiums for life, term, and endowment be Sesqui-American Mortality for countries in which the Semi-Tropical premium is charged and Double American Mortality in countries where the Tropical scale is charged and that where the rate of premium used in calculating the premium under the original policy was 3 per cent., the same rate of interest be used in calculating the Semi-Tropical and Tropical reserves on the foregoing bases of mortality,' is approved."

Standards Adopted by the Superintendent in Cases of Invalid Lives and Other Extra Hazards to be Construed as Legal Minimum Standards

Extract from letter dated July 26, 1907, from the Superintendent to Metropolitan Life Insurance Company.

"You refer to that provision of section 84 of the Insurance Law which authorizes the Superintendent to vary the standards of interest and mortality 'in particular cases of invalid lives and other extra hazards,' and state:

'The question arises whether the standards adopted by the Superintendent in particular cases of invalid lives and other extra hazards are to be construed as minimum standards. If they are not to be construed as minimum standards, then what Select and Ultimate Table of Mortality should be used to determine the minimum standard?'

In reply I would advise you that the standards adopted by the Superintendent for the cases referred to are to be construed as legal minimum standards."

Valuation of Waiver of Premium on Permanent Disability

Extract from letter dated August 9, 1911, from the Superintendent to the
New York Life Insurance Company.

" * * * In accordance with the following provisions of section 84 of the Insurance Law, 'The Superintendent may vary the standards of interest and mortality in particular cases of invalid lives and other extra hazards,' etc., the Superintendent adopts for the valuation of waiver of premium on permanent disability, Arthur Hunter's 'Tables of Rates of Disability, and of Mortality among Disabled Lives,' combined with American Experience Table of Mortality with Interest at 3 per centum per annum. (See No. 45 'Transactions' Actuarial Society of America.) "

Valuation of Supplementary Contracts for Waiver of Premium

Extract from letter dated October 15, 1912, from the Superintendent to the
Metropolitan Life Insurance Company.

" * * * You state:

'We have the reserves issued by the Department on Hunter's Disability Tables based upon 3 per cent. interest, which we understand will be used for companies on the $3\frac{1}{2}$ per cent. basis, and are accordingly preparing to use these reserves, but, unfortunately, they are published only for the regular kinds of policies such as life, limited payment and endowment. It is therefore necessary for us to prepare the tables of reserves for those special policies issued by this company, such as optional life or endowment, guaranteed dividend, etc., and we ask your permission to value these policies on the basis of the mean reserves obtained by increasing the twenty payment life mean reserves for each year in the proportion that the net $3\frac{1}{2}$ per cent. annual premiums on these policies bears to the net 3 per cent. premium for the twenty payment life on the American table. Similarly for other policies with the premiums limited to twenty years. Where the premiums are limited to ten and fifteen years, we propose the use of the ratio of the ten payment 3 per cent. premium or fifteen payment 3 per cent. premium. * * *

We suggest this method for use only on our special policies, being perfectly agreeable to the entire 3 per cent. reserve where that is published on the regular forms, and, furthermore, we would suggest, that, if you acquiesce in this for our special policies on the $3\frac{1}{2}$ per cent. basis, we use the same reserve on our 4 per cent. policies issued prior to 1901. As the net premium on a $3\frac{1}{2}$ per cent. basis is higher than on a 4 per cent. basis, we would be on the safe side.

If we receive your permission to increase the limited life reserves in proportion to the increase in premiums, as herein suggested, we will prepare a complete table of reserves for all our special policies and forward them to you in the near future.'

For the purposes of the current year's valuation the proposed method of valuation has my approval."

SUB. 4. FOREIGN VALUATION

Valuation of life insurance companies, incorporated under the laws of any State or country, outside of the United States, is upon policies in force only in this country.

(See Op. A. G. Dec. 28, 1893.)

Valuation of Foreign Policies Issued After January 1, 1907, Must be Made upon Basis of Am. Ex. Table of Mortality 3½ per cent, Select-and-Ultimate Method

Extract from letter dated April 24, 1907, from the Superintendent to the Commissioner of Insurance of Connecticut.

"Your favor of the 22nd inst., relating to the last sentence of section 84 of the Insurance Law of this State, has been received.

Section 84 provides that

'The Superintendent of Insurance shall annually make valuations of all outstanding policies, etc., of every life insurance corporation doing business in this State. These valuations are to be made on the net premium basis in accordance with certain prescribed minimum standards. In the case of a corporation of any other State the Superintendent may, under certain conditions, accept the certificate of valuation of the Department of Insurance of such other State "if made upon the basis and according to the standards herein required * * *."

I am of the opinion that the certificate of valuation of the Department of Insurance of another State, referred to above, so far as it relates to policies issued on or after January 1, 1907, must be made upon the basis and according to the standards set forth in the section, American Experience Table of Mortality with interest at 3½ per cent. per annum, Select-and-Ultimate method.

The sentence quoted by you provides that any life insurance corporation valuing its policies or any class thereof (issued on or after January 1, 1907), upon standards producing reserves greater than those computed by the legal minimum standard, 'in every such case shall report any excess of its valuations over those computed by the said legal minimum standard,' etc.

I am of the opinion that in every such case where a life insurance corporation of another State charges itself with reserves

'greater than those computed by the legal minimum standard,' the company, in addition to the certificate referred to above, will have to furnish, as formerly, a proper certificate of valuation by the Department of Insurance of its home State, based upon the standards adopted by the company and also 'report any excess,' etc., in its annual statement."

Policies Issued on and After January 1, 1907, Must be Valued According to Standards Taking Effect That Day

Extract from letter dated May 1, 1907, from the Superintendent to the Commissioner of Insurance of Connecticut.

"Your favor of the 26th ult., in further reference to section 84 of the Insurance Law of this State, was received by due course of mail.

As the section now stands, all policies issued on and after January 1, 1907, must necessarily be valued upon the standards and in accordance with the method taking effect that day, in order that the excess of the company's valuation, if any, over that made upon the legal minimum standard may be determined. Of course this will require that all extra guaranties shall be properly valued."

Valuations of Policies by Another State Will be Accepted if Made upon a Basis Which Would Give a Higher Reserve

Extract from letter dated January 17, 1908, from the Superintendent to Commissioner of Insurance of New Jersey.

"You write:

'Your State has by law prescribed the Select and Ultimate Table with $3\frac{1}{2}$ per cent. interest as the basis for valuation of all policies issued in 1907 and thereafter, but as this is the *minimum* standard, I assume that you would accept the valuation of another State if made upon a basis or bases which would give a higher reserve.'

Your assumption is entirely correct if valuation of policies issued on and after January 1, 1907, is made according to the American Experience Table at a rate of interest not lower than 3 per cent. per annum.

SUB. 5. JOINT LIVES*Makehamized Am. Ex. Table May be Used for Valuation of Joint Life and Last Survivor Insurances*

Extract from letter dated April 3, 1907, from the Superintendent to The Equitable Life Assurance Society of the United States.

"In my opinion the Makehamized American Experience Table (Hunter's) may be used for the valuation of, and all other purposes connected with, joint life and last survivor insurances.

An extension of the American Experience Table to age O has been made by Mr. James M. Craig and a copy thereof is enclosed herewith. The use of this extension for the valuation of, and all other purposes connected with, children's endowments, has my approval."

Idem

Extract from letter dated November 22, 1911, from the Superintendent to B. R. Nueske.

"* * * Enclosed herewith you will please find copy of a letter dated April 3, 1907, from the Superintendent to the Equitable Life Assurance Society of the United States. The table fixed for the valuation of joint life and last survivor insurances should have been entitled the 'Makehamized American Experience Table (Hunter's).'"

SUB. 6. TERM POLICIES*Select and Ultimate Valuation of Term Policies*

Extract from letter dated March 19, 1907, from the Superintendent to Home Life Insurance Company.

"In valuing term policies, where the reserve computed according to the Select and Ultimate method is less than the reserve upon a one-year term insurance computed according to the Select and Ultimate method, the latter reserve should be used."

SUBS. 7 and 8. INDUSTRIALS AND ANNUITIES.*Standards of Valuation for Annuities and Industrial Policies*

Extract from letter dated March 1, 1907, from the Superintendent to the Secretary of the Actuarial Society of America.

"Section 84 of the Insurance Law of this State contains the following provision:

'As soon as practicable after the first day of January, nineteen hundred and seven, the Superintendent of Insurance shall fix legal minimum standards for the valuation of industrial policies and annuities which shall be valued in accordance therewith.'

I would advise you that, in accordance with said provision, I have fixed as such legal minimum standards for the valuation of industrial policies the 'Standard Industrial Mortality Table' and the 'Sub-standard Industrial Mortality Table,' based on the experience of the Metropolitan Life Insurance Company, and for the valuation of annuities, Emory McClintock's 'Tables of Mortality among Annuitants,' with interest at $3\frac{1}{2}$ per centum per annum in each case."

Minimum Standards for Valuation of Industrial Policies and Annuities Apply Only to Business Written on and After January 1, 1907

Extract from letter dated March 11, 1907, from the Superintendent to the Insurance Commissioner of Pennsylvania.

"Replying to your favor of the 7th inst., would state that the standards fixed for the valuation of industrial policies and annuities apply only to business written on and after January 1, 1907. They may, however, be used for issues prior to that date if a company should so elect."

Standards for Valuation of Industrial and Intermediate Annuity Contracts

Extract from letter dated February 24, 1909, from the Superintendent of Insurance to the Metropolitan Life Insurance Company.

"Your favors of the 8th and 19th inst. with enclosures relating to your 'request that additional standards be fixed for the valuation of industrial and intermediate annuity contracts.' were received by due course of mail.

I would advise you that for such purposes I have fixed the Standard Industrial Mortality Table and the Intermediate Table of Mortality, with interest at $3\frac{1}{2}$ per cent. per annum, as legal minimum standards of valuation."

SUB. 10. EXCESS TO BE REPORTED

When Standard of Valuation Giving Results in Excess of Those Based on the Minimum Standards is Adopted, Excess Must be Reported

Extract from letter dated March 6, 1907, from the Superintendent to Home Life Insurance Company.

"In your favor of the 1st inst. * * * you write:

'As this company has decided to value the policies issued by it on and after January 1, 1907, on the full American $3\frac{1}{2}$ per cent., we wish to know whether the new law compels us to make a second valuation of this business according to the Select-and-Ultimate plan and state under its liabilities the reserve according to the Select-and-Ultimate and the excess of the full American $3\frac{1}{2}$ per cent. over the Select-and-Ultimate.'

Section 84 of the Insurance Law of this State provides that, when a company adopts standards of valuation giving results in excess of those based on the minimum standards set forth in the section, the amount of such excess must be reported by the company in its annual statement."

(The amendment made to section 84 by chapter 304 of the Laws of 1913 eliminated from the section the words—"any excess of its valuation over those computed by the said legal minimum standard and also." The effect of the amendment is that companies may value their policies on a higher standard than the select and ultimate and simply report such higher standard used in valuation. They are no longer required to incur the expense of making another valuation by the Select-and-Ultimate simply to find out and report the difference between the two valuations. [See ruling page 157]).

Idem

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

"You ask for a ruling on the following point:

'When a company holds the reserve on the full American 3 per cent. must it state the excess of that reserve over the American 3 per cent. Select-and-Ultimate or over the American $3\frac{1}{2}$ per cent. Select-and-Ultimate in order to comply with the requirements of section 84?'

* * * * *

I am of the opinion that this (section 84), requires a statement of the excess of the reserve valuation based on the company's

own standards over one made in accordance with Select-and-Ultimate method on the legal minimum standard American Experience $3\frac{1}{2}$ per cent."

Double Valuations, and Reports of Excess Valuation

Extract from letter dated December 29, 1908, from the Superintendent to the Mutual Benefit Life Insurance Company.

"* * * Provisions of our law require double valuations of all policies issued on and after January 1, 1907, by all companies using standards and methods of valuation giving results in excess over those computed by the legal minimum standard set forth (in section 84) * * *."

(See also rulings under § 52.)

Report of Excess Valuation Not Required

Extract from letter dated July 8, 1913, from the Superintendent to the New York Life Insurance Company.

"You state:

'Section 84 of the Insurance Law has been amended so as to omit the words "any excess of its valuations over those computed by the said legal minimum standard and also." In view of this change, we understand that it will not be necessary for us to prepare a valuation for 1913 on the "Select-and-Ultimate" basis.'

Your understanding of the effect of the change referred to is correct."

Section 85 — When Actual Premium is Less Than Net Premium

Where a company has so circumstanced a portion of its policies that sections 52 and 84 are inadequate, section 85 applies.

(See Op. A. G. June 1, 1907.)

Section 86 — What Shall be Allowed as Assets; Impairment of Capital Stock

Method of Computing Reserve by Companies Writing Liability Insurance

Instructions sent December 31, 1909, to all companies writing liability insurance under subdivision 3, section 70, reporting to the Department.

"It appears that some of the liability companies issue workmen's collective (workmen's wage) or workmen's indemnity policies and employers' liability policies on the same risk or plant.

In all cases where the two classes of insurance are carried on the same risk, all notices of injury received, whether at the liability claim department or any other department or agency, must be treated, for the purpose of computing the liability loss reserve provided for in section 86 of the Insurance Law, as notice of injury received under liability policies unless it is definitely known that the accident occurred outside the hours or the territory covered by the employers' liability policy, although the notices may only result in payments within the limit of the workmen's collective or indemnity policies.

The utmost deduction which can be allowed for payments on these notices will be the amount of the excess of the payment over the payment required by the workmen's collective or indemnity policy. To illustrate: Suppose a workmen's collective policy providing for half wages is issued, covering the employees in a factory where the employer also carries a liability policy in the same liability company. Any notices received under the workmen's collective policy must also be treated as notices received under the liability policy. If an accident should only result in a payment of the amount required by the workmen's collective policy no deduction should be made in computing the loss reserve, although the notice reserve must be charged. If the accident should result in a payment in excess of the amount required under the workmen's collective policy, the excess may be deducted. For example, if the payment under the workmen's collective is \$40.00 and \$5.00 extra is paid to obtain a full release, then \$5.00 can be used as a deduction in computing the loss reserve."

Section 88 — Surrender Value of Lapsed or Forfeited Policies

SUB. 9. DOMESTIC CORPORATIONS. NEW POLICIES

Amendments as to Surrender Values Do Not Apply to Foreign Life Insurance Companies

Extract from letter dated June 14, 1906, from the Superintendent to the Assistant Secretary of State for Louisiana.

"It is our understanding that the Special Legislative Investigating Committee did not apply the amendments as to surrender values to foreign life insurance companies for the reason that

section 88, as existing before the amendments of this year, applies specifically to domestic companies. Further, that the arguments presented to the Committee at the time of the public hearings, calling attention to comity between states, impressed the Committee with the idea that it would be best to follow the policy of the old law in applying the new provisions."

Cash Surrender Values May be Included in Policy Contracts

Extract from letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"There is nothing in the laws of this State to prohibit the inclusion of cash surrender values in policy contracts."

Surrender Values Prescribed in Law are Minimum Values and Larger Values May be Allowed

Extract from letter dated July 26, 1906, from the Superintendent to The Washington Life Insurance Company.

"Your favor of the 24th inst. relating to the surrender values which may be allowed for life insurance policies issued on and after January 1, 1907, has been received.

I am clearly of the opinion that the surrender values, referred to in the third paragraph of section 88 of the Insurance Law, are minimum values, and that larger values may be allowed by companies. The only limitation in the paragraph is that which is placed upon the surrender charges which may be made by the companies."

Surrender Values on "Special Class" Business

Extract from letter dated August 27, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Section 88 provides that the surrender values of policies issued on and after January 1, 1907, shall be based on the reserves computed according to the standard adopted in accordance with section 84 of the Insurance Law."

(See letter dated August 27, 1906, § 84, sub. 3.)

Surrender Value, Sub-standard Risk

(See Ruling of Jan. 12, 1912, § 101 (new) sub. 6.)

SUB. 18. WEBER ANNUITIES BILL*Forms Required Under Amended Section Must be Submitted to Superintendent*

Extract from letter dated June 2, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"You write:

'The Governor having approved Mr. Weber's bill, which we have called the annuities bill, the question arises whether, in order to issue policies, we have got to have a new standard form approved by the Department and whether, in order to be able to approve it, the Department has got to give notice to all the companies as formerly.'

To this my answer is yes.

You further inquire:

'The question we ask you is whether we can amend the standard form already approved by your Department by incorporating into it provisions for proportionate parts of the paid-up annuity without going into the prescribed formula as to standard forms, notifying other companies and having a hearing? In other words, is not the passage of this amendment sufficient authority for you to approve the amendment to the form already adopted conforming to the new statute?'

To this my answer is no."

Waiver of Lapse or Forfeiture Provisions in Application Void

Ruling of August 7, 1909.

"In the application blank, part 2, the insured is required to make this statement: 'I hereby agree * * * that the provisions in such policy, in case of failure to pay premiums, shall be held to be in substitution for and in waiver of the rights of all parties hereto under any law of any State relating to the lapse or forfeiture of policies of life insurance.'

The use of this form in the State of New York cannot be permitted. See sections 88, 92 and 101 (new) of the Insurance Law."

Section 89 — Discriminations Prohibited

SUB. 1. CLASS DISCRIMINATIONS

Definition of the Word "Class"

Extract from letter dated April 28, 1907, from the Superintendent to the Deputy Insurance Commissioner of Alabama.

"Your favor of the 23d inst., relating to the meaning of the word 'class,' as used in the Insurance Law, has been received.

The first sentence of section 89 of the Insurance Law of this State reads as follows:

'No life insurance corporation doing business in this State shall make any discrimination in favor of individuals of the same class or of the same expectation of life either in the amount of premium charged or in any return of premium, dividends or other advantages.'

I am of the opinion that, as used in this sentence, the word means a number of persons having certain characteristics in common, as occupation, education and habits of life."

Writing Lives of Bank Officials and Employees as a Class at a Lesser Premium Falls Within Prohibition of Section

Extract from letter dated May 20, 1907, from the Superintendent to Bankers Life Insurance Company.

"You quote the first sentence of section 89 of the Insurance Law and state:

'We believe that the restriction quoted above does not contemplate prohibiting us from writing bank officials and bank employees *as a class* at a lesser premium than the general risks assumed by the company, but before so doing we desire to submit the matter to your Department for its ruling.'

In my opinion your contemplated action falls within the prohibition of the section."

New \$5,000 Ordinary Life Policy of the Metropolitan Life Insurance Company Does Not Violate Provisions of Section

Extract from letter dated July 19, 1909, from the Superintendent to C. B. & H. M. Taylor.

"Your favor of the 15th inst., relating to the new \$5,000 ordinary life policy of the Metropolitan Life Insurance Co., has been received.

The Department does not consider that this policy in itself violates the provisions of section 89 of the Insurance Law; it may be had by anyone able to pass the required medical examination and pay the premium."

Discriminations in Cash Surrender Values and Paid-Up Insurance on Lapsed Policies Within the Prohibition of the Section

Extract from circular letter dated July 27, 1909, from the Superintendent to each life insurance company doing business in this State.

"At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

* * * * *

"III. That discriminations between policyholders of the same class in the granting of cash surrender values and paid-up insurance on lapsed policies are interdicted by section 89, though not strictly paid, allowed or given as an inducement to a person to insure."

Failure to State Rate of Interest May Result in a Discrimination

Ruling of August 7, 1909.

"A definite rate of interest on premiums for the period of grace should be stated in the policy. If the rate of interest is not definitely fixed by the terms of the policy, there is at least a possibility that the rate would be varied in some cases, which would be a violation of section 89 of the Insurance Law."

"No Discrimination" Where Reserve Value of a Small Paid-Up Policy is Applied Towards Purchase of New Insurance

Extract from letter dated September 1, 1909, from the Superintendent to the Manhattan Life Insurance Company.

"* * * You state:

"What we desire to know is whether the Department's third ruling implies that section 89 prohibits the company from applying in such cases (see head note), the reserve value calculated according to the Am. 4½ per cent. to the purchase of such new insurance, although such reserve value may be somewhat larger than we would regularly pay in cash for an absolute surrender of the paid-up, provided that there is no discrimination and that

every policyholder of the same class has the same opportunity to take the new insurance and can pass the same medical examination that would be required for the revival of the original policy.'

To this my answer is no."

Where a Privilege is Offered to Every Applicant, there is no Discrimination

Extract from letter dated December 12, 1910, from the Superintendent to the New York Life Insurance Company.

" * * * You state:

'The former practice of the New York Life Insurance Company was to extend to every applicant the privilege of making the first annual premium fall due as of a date prior to the date of the application whenever the insured desired it, irrespective of whether or not it resulted in making the rated age of the applicant less than the nearest full age at the date of the application, and without regard to whether the case was a competitive one or not. In the majority of such cases the request of the applicant was made for the purpose of securing a policy on which the premium would fall due on the date best suited to his individual need.'

Where the privilege referred to is offered to every applicant 'irrespective of whether or not it resulted in making the rated age of the applicant less than the nearest full age at the date of the application and without regard to whether the case was a competitive one or not,' in my opinion it would not be a discrimination and would not fall within the prohibition of the statute."

Section 89 Applies to Annuities as well as to Life Insurance

Extract from letter dated May 1, 1912, from the Superintendent to the Provident Life and Trust Company.

" * * * You ask:

'Does section 89 of the New York law, forbidding discrimination, apply to annuities as well as to life insurance.'

I am of the opinion that for the purposes of the section mentioned, annuities are to be considered as insurances."

SUB. 3. ANTEDATING POLICIES

Use of "C" Forms for Antedating Policies Prohibited

Ruling dated August 9, 1909.

"All the 'C' forms are objectionable for the reason that the policies are antedated for the avowed purpose of allowing the

policyholder to take advantage of the premium rate at an age one year younger than his true age. These 'C' forms cannot be approved for use in this State, since the use of this form would be in violation of both the letter and the spirit of section 89 of the Insurance Law, which prohibits discriminations."

Dating Back of a Life Insurance Policy Prohibited

Extract from a letter dated February 21, 1910, from the Superintendent to the Columbian National Life Insurance Company.

"The Department has ruled that the dating back of a life insurance policy in order to give the insured the benefit of a younger age is clearly discriminatory and falls within the prohibition of section 89 of the Insurance Law; that the ruling applies to all life insurance corporations doing business in this State; that the prohibitions of section 89 of the Insurance Law are not limited to the issues in this State of a life insurance corporation doing business in this State; that the law does not prohibit dating back absolutely; it does prohibit discrimination; and that the ruling relating to dating back a life insurance policy in order to give the insured the benefit of a younger age does not apply to those cases of exchange of policies which occasionally occur in the regular transaction of a company's business. The Department cannot undertake to advise life insurance agents as to the application of any of these rulings to any individual case that may arise in the transaction of an agent's business. In such case the agent should be advised by his own counsel or that of his company."

Giving of New Policy at Old Rate of Five Years Previous a Discrimination

Extract from letter dated September 9, 1910, from the Superintendent to The Southern States Mutual Life Insurance Company.

" * * * You write:

'A buys a whole life policy at age 40 in company B for \$10,000 and five years later company B introduces a new whole life policy form with several new features not contained in the original, and charges at age 40 one dollar per thousand more for this new policy than it did for a policy for the same amount on the old form.

If A should now apply to company B for the cancellation of his five year old policy, and the issue of a new one in lieu thereof on the company's new

form with same date of entry as the old policy, and the company should grant his request and give him the new policy on the new form at age 40, at the old rate of five years ago, would that, in your opinion, be a violation of the anti-discrimination laws of your State?’

To this my answer is yes.”

Agent Must Act in Good Faith

Extract from letter dated June 16, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Co.

“My letter of April 27, 1910 * * * as well as my letter of May 27, 1910 * * * in relation to ‘a change of a policy recently issued’ were both based upon the assumption that such change was a mere incident of the business, not an agent’s scheme to ‘beat’ the provisions of section 89 of the Insurance Law. If an insured person in good faith makes application to his company to increase the amount of his policy, produces satisfactory evidence that there has been no change for the worse in his physical condition, pays down the premiums on the amount of the increase for the elapsed term and the interest on such premiums, the Department would not be inclined to question such change. If, however, it be found that agents are inducing persons near their change of age to apply for a small amount of insurance upon the understanding that it may be increased at the original rate of premium after the change of age, the Department would feel called upon to take steps to put a stop to such a practice.

* * * As to the application and the length of time in which request may be made, I would advise you that section 58 of the Insurance Law permits but does not require the application to be made a part of the contract and that the length of time would be such as would be considered reasonable for reinstatement of a policy.”

Good Faith of Transaction Controls

Extract from letter dated May 27, 1911, from the Superintendent to the Auditor and Ex-Officio Insurance Commissioner of West Virginia.

“Your favor of the 24th inst., in further reference to rulings on dating back policies, has been received.

In applying the rulings to which your attention has been called, the intent or the good faith of the transaction should control. A privilege offered to all applicants is not a discrimination and is not prohibited by the law."

When Antedating of Substituted Policy Not a Discrimination

Extract from letter dated May 12, 1910, from the Superintendent to the Prudential Insurance Company.

"You state:

'We have under consideration * * * the plan of issuing a new policy in lieu of the old one and dating it back for the length of time the original policy was in force. For instance, a policy issued in the beginning of 1907, at age 30, continued in force for two years and then lapsed for one year. Application is now made for revival of the original policy and the insured is unable to pay the arrears in cash. The plan would be to issue a new policy dated back two years and as of the age of the policyholder two years ago. The effect of this would be for the policyholder to have a policy treated as in force for the length of time premiums had actually been paid on the original policy. The premium remaining the same, the amount of the policy would of course be slightly reduced on account of the age being changed to a higher age.'

I am of the opinion that your proposition would not conflict with my ruling relative to the dating back of a life insurance policy, in order to give the insured the benefit of a younger age."

No Specific Law Prohibiting Antedating

Extract from letter dated July 10, 1911, from the Superintendent to the State Insurance Commissioner of Maryland.

"Your favor of the 6th inst., relating to the dating back of a life insurance policy, was received * * *. There is no law in this State that specifically prohibits such dating back."

Agents Found Violating the Law Will be Proceeded Against

Extract from letter dated June 16, 1911, from the Superintendent to the Connecticut General Life Insurance Company.

"Your favor of the 14th inst., relating to dating back life insurance policies, has been received * * *. You will understand of course that this Department cannot undertake to inquire into the good faith of every case of dating back; but where it is found that an agent is clearly violating the law prohibiting discrimination, he will be properly proceeded against."

Department Rulings in Re Antedating of Life Insurance Policies

Extract from letter dated September 26, 1911, from the Superintendent to Frank H. Hardison, Insurance Commissioner.

“ * * * There is no provision in the Insurance Law of this State which relates specifically to the dating back of a life insurance policy. A number of rulings relating to this matter have been made under those provisions of section 89 reading as follows :

‘No life insurance corporation doing business in this State shall make or permit any discrimination between individuals of the same class or of equal expectation of life, in the amount or payment or return of premiums or rates charged for policies of insurance, or in the dividends or other benefits payable thereon, or in any of the terms and conditions of the policy; nor shall any such company permit or agent thereof offer or make any contract of insurance or agreement as to such contract other than as plainly expressed in the policy issued thereon; nor shall any such company or any officer, agent, solicitor or representative thereof pay, allow or give, or offer to pay, allow or give, directly or indirectly, as inducement to any person to insure, or give, sell or purchase, or offer to give, sell or purchase as such inducement or in connection with such insurance, any stocks, bonds or other securities of any insurance company or other corporation, association or partnership, or any dividends or profits accruing thereon, or any valuable consideration or inducement whatever not specified in the policy, nor shall any person knowingly receive as such inducement, any rebate of premium or any special favor or advantage in the dividends or other benefits to accrue thereon, or any paid employment or contract for services of any kind or any valuable consideration or inducement whatever, not specified in the policy.’

These rulings are that the dating back of a life insurance policy in order to give the insured the benefit of a younger age is clearly discriminatory, and falls within the prohibition of section 89 of the Insurance Law; that the ruling applies to all life insurance corporations doing business in this State; that the prohibitions of section 89 of the Insurance Law are not limited to the issues in this State of a life insurance corporation doing business in this State; that the law does not prohibit dating back absolutely, it does prohibit discrimination; that the ruling relating to dating back a life insurance policy in order to give the insured the benefit of a younger age does not apply to those cases of exchange of policies which occasionally occur in the regular transaction of a company's business; that if agents offer the privilege of dating back ‘to every applicant,’ there can be no discrimination; that where the privilege of dating back is offered to every applicant

'irrespective of whether or not it resulted in making the rated age of the applicant less than the nearest full age at the date of the application and without regard to whether the case was a competitive one or not,' in my opinion it would not be discrimination and would not fall within the prohibition of the statute; that a privilege offered to all applicants is not a discrimination and is not prohibited by the law; that this Department cannot undertake to inquire into the good faith of every case of dating back, but where it is found that an agent is clearly violating the law prohibiting discrimination he will be proceeded against and that there is no law in this State that specifically prohibits the dating back of a life insurance policy."

Idem

Extract from letter dated April 19, 1913, from the Superintendent to M. L. Oppenheimer.

"The Department has ruled that the dating back of a life insurance policy in order to give the insured the benefit of a younger age is clearly discriminatory and falls within the prohibition of section 89 of the Insurance Law; that the law does not prohibit dating back absolutely, it does prohibit discrimination; that a privilege offered to all applicants is not a discrimination and is not prohibited by the law; that in applying the rulings, the intent or the good faith of the transaction should control."

In Re Passage of Law Permitting Dating Back for Period of Six Months

Extract from letter dated October 3, 1911, from the Superintendent to Frank H. Hardison, Insurance Commissioner.

"You state:

'I am a little in doubt as to whether I fully comprehend how a law permitting the dating back of policies for a period of six months would operate. Perhaps you will enlighten me. For instance, a life insurance company in competition permits a policy to be dated back in order that the applicant may get the advantage of a younger age, but keeps within the six months period permitted by the law. Another applicant, where there is no competition, does not receive the lower rate of a younger age. Thus there would appear to be discrimination in fact if not in law.'

Possibly. You will of course understand that any amendment to the law providing for 'dating back' should make it obligatory

in the case of any company desiring to avail itself of the amendment, that the 'privilege' be offered to every applicant, and that it should further provide that interest must be paid in all cases where policies are dated back.

The 'privilege' is one the value of which is questionable. But in certain cases there are very good reasons for dating back and it would seem better that when done it be done lawfully, under reasonable restrictions, rather than unlawfully as I fear it is being done, at the present time, in too many cases."

SUB. 4. REBATE OF PREMIUM

Mere Proposal by Agent Not a Violation

Mere proposal by agent of a life insurance company to issue policy illegal under section, not a violation which calls for action by the Superintendent.

(See Op. A. G. April 18, 1900.)

Effect of Rebate on a Life Policy

No decisions as to effect of granting a rebate upon a life insurance policy.

(See Op. A. G. Oct. 12 and Oct. 20, 1904.)

(But see *McGee v. Felter*, 135 N. Y. Supp. 267; *Equitable Trust Co. of N. Y. v. Newman*, 127 N. Y. Supp. 243, 129 N. Y. Supp. 259, 131 N. Y. Supp. 1113; *Equitable Trust Co. of N. Y. v. Taylor*, 131 N. Y. Supp. 475.)

Payment of Brokerage to Agent on a Policy on His Own Life Prohibited

Extract from letter dated July 7, 1908, from the Superintendent to John Cowan.

"I am of the opinion that a life insurance agent cannot lawfully receive a brokerage commission on a premium on his own life insurance policy."

Payment of Commission to Agent on a Policy on His Own Life Written by Company Represented by Him, Prohibited

Extract from letter dated June 5, 1907, from the Superintendent to Mr. T. R. Fell.

"Under date of the 3d inst. you ask to be advised: 'If under the laws of this State I may pay to an agent who holds a license

from your Department and a contract with this company, a commission on a policy on his own life in this company.'

I am of the opinion that this may not lawfully be done. Neither section 89 of the Insurance Law nor section 577-k of the Penal Code (now § 1200 of the Penal Law), contains an exception in favor of agents of life insurance corporations."

Idem

Extract from letter dated May 26, 1909, from the Superintendent to Mr. Charles F. Adams.

"In your favor of the 25th instant you ask to be advised 'as to whether or not an agent is allowed commissions on his own policy.'

In my opinion such an allowance would be a violation of the provisions of section 89 of the Insurance Law."

Idem

Extract from letter dated August 3, 1909, from the Superintendent to Mr. M. Shaysen.

"I am of the opinion that a life insurance agent cannot lawfully receive a commission on a premium on a policy of insurance on his own life; neither section 89 of the Insurance Law nor section 1200 of the Penal Law contains an exception in favor of agents of life insurance corporations."

A Commission May be Paid to Bona Fide Agent on a Policy on His Own Life Written by Company Represented by Him

Extract from a letter dated November 22, 1909, from the Superintendent to the New York Life Insurance Company.

Previous rulings reversed.

"* * * I feel that I can safely reach the above conclusion for the reason that since amended section 91 went into effect in May last, absolute discretion is vested in the Superintendent to reject all applications for life agents' certificates and that through such discretion any tendencies in the direction of appointing agents merely that insurance prospects may secure rebates can be checked."

*Payment of Commission to Agent on a Policy on His Own Life
Written by Company Not Represented by Him, Prohibited*

Extract from letter dated July 8, 1913, from the Superintendent to Gilbert Tool.

" You ask :

' Will you kindly advise me as to whether I can accept commission on a life insurance policy on my own life which is written by a company which I do not represent.'

I would advise you that you can not do so lawfully."

*Broker May Not be Paid Commission on Insurance Covering Him-
self (Accident or Health Insurance) or Property Belonging
to Him*

Extract from letter dated September 20, 1911, from the Superintendent to the United States Casualty Company.

" This is in acknowledgment of your favor of the 15th inst., in which you ask if a commission can lawfully be paid on accident or health insurance issued to such broker where the broker places other business for the company.

The Department is of the opinion that under the so-called 'Anti-rebate Law' a commission cannot lawfully be paid to any person upon business representing insurance covering either himself (accident or health insurance) or property belonging to him."

*Agent or Broker May Receive Commissions on His Own Health
and Accident Policy*

Ruling of Department Counsel, dated October 19, 1912.

" In reply to your letter of the 13th inst., you are advised that the ruling of my predecessor, with reference to the payment to an agent or broker of commissions on policies which he may write covering himself or his own property, has been reversed, as it is my opinion that section 65 of the Insurance Law does not prohibit the payment of a commission to a bona fide insurance agent or broker on insurance placed by himself, on himself (health and accident insurance) or on property actually owned by him.

This ruling presupposes absolute good faith on the part of both the agent or broker and the company, and in the absence of such good faith, as for instance should an agency contract be made or

an oral arrangement entered into for the purpose of accomplishing a rebate to a person who is not a bona fide agent or broker, that is, one who does not, in good faith, intend to act as an insurance solicitor, the ruling would not apply.

Officer of Company May Insure His Life in Company, if No Rebate Granted or Commission Paid

Extract from letter dated December 3, 1906, from the Superintendent to Lathrop E. Baldwin.

"In reply to your inquiry of the 30th ult.:

'Would it be illegal or improper for an officer of my company to insure his life in my company through my agency, he receiving no rebate, and I receiving no commission, compensation or emolument upon the business so written, I simply having the credit upon my books of having secured the risk?'

Would state that I am of the opinion that it would be neither illegal nor improper."

Firm of Brokers May Place Life Insurance on Member Who is Entitled to Share in the Commission as a General Firm Profit

Extract from letter dated January 2, 1912, from the Superintendent to Charles H. Voorhees.

" * * * You ask:

'Is it legal for a firm of brokers in real estate and general insurance, both in fire and life, to write or rather place life insurance in behalf of a member of the firm, and accepting as a firm the commission paid by the life insurance company issuing the policy, my point being, can it in any way be construed as illegal for the insured partner to participate in the general firm profits as called for by partnership agreement, the commission above mentioned being included in the same?'

To your first question my answer is yes; to the second no."

Corporation May Accept Commissions Earned by Members

Extract from letter dated July 1, 1913, from the Superintendent to The Queensboro Corporation.

In reply to your favor of the 13th ult., would state that if the contracts of the members of your corporation with the corporation provide for the turning in of commissions on life business produced, I can see no reason why the commissions on such business

should not be turned over to such corporation, provided, however, that this would not apply to business written on the life of any member of the corporation.

Commissions to Salaried Clerk on His Own Life Policy a Rebate

Extract from letter dated December 11, 1913, from the Superintendent to Frank Ewing.

"Your favor of the 8th inst., in further reference to the payment of commissions to 'a clerk or another person on a salary, and employed by a life insurance company' has been received. You ask:

'Will you kindly advise me if the Department would consider it a *rebate* if persons on a salary such as a clerk or supervisor of agents were allowed a commission on a policy on their own life?'

To this my answer is yes."

Renewal Commission to Advisory Board Not a Rebate

Life insurance company may pay special renewal commission to advisory board securing new policyholders.

(See Op. A. G. August 11, 1900.)

Payments of Commissions to Sub-Agents for Purposes of Remitting Cost of Insurance, a Rebate

Extracts from letters dated July 29 and August 4, 1908, from the Superintendent of Insurance to the John Hancock Mutual Life Insurance Company.

"Your favor of the 24th inst. relating to 'a proposition from an "Exchange" through one of our (your) general agents to re-insure for it the members of the Exchange who are acceptable to the company' was received by due course of mail.

Referring to a certain fund belonging to the Exchange you state:

'There are several sources by which this fund is to be augmented and one source proposed was the sub-agent's commission which our general agent was to allow a paid member of the Exchange, he acting under a proper license from the Department, who in turn proposed to pay the amount of his commissions to the Exchange.'

I am of the opinion that the payment of commissions to these so-called 'sub-agents' may not lawfully be done. Neither

section 89 of the Insurance Law nor section 577-k of the Penal Code contains an exception in favor of 'sub-agents' of life insurance corporations. * * *.

The question whether the 'sub-agent' is or is not a member of the 'Exchange' is not material. The payment to the 'Exchange' by the one acting as 'sub-agent' would, in my opinion, be considered as a rebate within the meaning of the New York law."

"Board Contracts" are Prohibited

Extract from letter dated November 6, 1908, from the Attorney-General to the Superintendent of Insurance.

"Your letter of October 10th was duly received, in which you request an opinion as to whether so-called 'special contracts,' frequently described as 'board contracts,' are prohibited by section 89 of the Insurance Law, as amended by chapter 326 of the Laws of 1906. In my opinion contracts so described would come within the prohibitions of the section as it now stands."

Note Without Legal Interest Charge Accepted for Premium Equivalent to Rebate

Extract from letter dated May 28, 1909, from the Superintendent to Mr. Rudolph Bohm.

"Without passing upon the propriety of an agent accepting a note when he is expected to receive cash in payment of a life insurance premium, I agree with you 'that a note accepted in payment of a life insurance policy without the legal interest charge is equivalent to a rebate.'"

Interest on Premiums After Expiration of Grace Period

Extract from letter dated April 7, 1914, from the Superintendent to The Northwestern Mutual Life Insurance Company.

"You write as follows:

'In order not to grant special advantages to policyholders, it has long been the custom of this general agency to require the legal rate of interest upon checks tendered in payment of premiums with request that the checks be held.

'In such cases, it has been our custom to report personally the premiums to the company when due. This involves my taking all risk of the checks so held not being eventually paid.

'Is it legally necessary to continue the practice of requiring interest, where checks are to be held two, three, five or ten days? In many instances, the interest amounts to but a few cents, and, on the smaller premiums, is less in amount than the value of the time lost in figuring it.'

In my opinion this is a matter in which you should be governed by the terms of the grace clause contained in the policy on which a premium is to be paid."

Idem

Extract from letter dated April 13, 1914, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"Referring to your inquiry of the 1st inst. you state:

'I should have made my letter clearer: In that my inquiry referred to that class of payments where the grace period is about to expire, and the check is to be held for a time beyond the expiration of the grace period.'

Section 89 of the Insurance Law provides that:

'No life insurance corporation doing business in this state shall make or permit any discrimination between individuals of the same class or of equal expectation of life * * * nor shall any such company or any officer, agent, solicitor or representative thereof pay, allow or give, or offer to pay, allow or give, directly or indirectly, as inducement to any person to insure * * * any valuable consideration or inducement whatever not specified in the policy * * *.'

Employment of a Person for the Bona Fide Purpose of Procuring Prospects Not Within the Prohibition of the Section

Extract from letter dated January 4, 1910, from the Superintendent to the Mutual Life Insurance Company of New York.

"I am in receipt of your favor * * * with enclosures reading as follows:

'Dear Sir: In arranging my business for the coming year, I have concluded to make you a special proposition and ask if you would be willing to act as a confidential helper to me, in securing business in your section. You as a banker are in a position to know the financial standing, etc., and to suggest names of those who might possibly be interested in a nice life insurance policy. I will do all the work in closing the business and allow you a nice commission on each case I close * * *.'

In reply to your inquiry, I would advise you that the employment by you of a person for the bona fide purpose of procuring prospects would not in itself be a violation of section 89 of the Insurance Law."

(Gifts to Prospective Policyholders Prohibited)

Extract from letter dated June 30, 1910, from the Superintendent to Michael E. Pue.

"You ask the following questions:

'(a) Is it lawful for a life insurance agent to sell a policy of life insurance to a person at the rate stipulated by the company and to collect the entire premium and, in addition, to give, without cost, a building lot valued at \$50? (b) Suppose that instead of giving the lot to the applicant, a nominal charge of \$1 was made, although the lot would not be sold to anyone not taking insurance for less than \$50. Would this transaction be unlawful?'

I am of the opinion that such a transaction as is described in either of your questions would be a violation of section 89 of the Insurance Law."

Agreement by Agent to Pay Church Debt if Members Will Take Out Insurance, Within the Prohibition of the Section

Extract from letter dated October 24, 1910, from the Superintendent to The Connecticut Mutual Life Insurance Company.

"* * * You ask for 'information regarding whether it would be lawful for a duly authorized insurance agent to send circular letters to members of a church congregation and solicit the members for insurance, making a special plea to them that if they will place insurance in this agent's company, said agent will agree to turn over a part or all of his commission to the treasurer of the church, for the purpose of reducing the outstanding church debt.'

I am of the opinion that your proposed action would be a violation of the spirit if not the letter of section 89 of the Insurance Law."

Agent May Not Buy Stock of Insured's Corporation in Consideration of His Taking Out a Life Policy

Extract from letter dated October 14, 1911, from the Superintendent to the Connecticut Mutual Life Insurance Company.

"* * * You write as follows:

'In your opinion, would the following fall within the meaning of section 1191 of the Penal Code: An agent agrees to buy a quantity of stock of the insured's corporation, in consideration of his taking out a policy of life insurance?'

It would appear that this would fall within the prohibition of sub. 3 of section 1191 of the Penal Code of this State."

Reduction in Premium Rate, Given to All Applicants, Not a Rebate

Extract from letter dated May 9, 1911, from the Superintendent to John C. Crittenden, of Erie, Penn.

" * * * A reduction in the rate of premium charged by a company is not a rebate so long as it applies to all applicants for insurance. The prohibition of section 89 of the Insurance Law is against discrimination."

A Reduction of Premium Guaranteed in Policy Contracts Does Not Constitute a Rebate

Extract from letter dated December 9, 1911, from the Superintendent to Hon. John L. Bleakly, Auditor of State.

"Your favors of the 2d and 5th inst., with enclosed 'Illustration of premium reductions' used by the Postal Life Insurance Company of New York, have been received.

This Department does not regard the circular in question as a violation of section 89 of the Insurance Law of this State. The reductions of premiums are guaranteed in the policy contracts of the company, which have been approved by the Superintendent; they are not 'rebates' in the offensive sense of the word as used in section 89."

Life Company Which Does Business Direct with Policyholders Through the Mail May Provide in Contract for Reduction of Premiums

Extract from letter dated December 18, 1911, from the Superintendent to the John Hancock Mutual Life Insurance Company.

"Your favor of the 15th inst. with enclosure relating to the Postal Life Insurance Company, has been received.

The Postal Life does business directly with its policyholders through the mail. It has no agents and pays no commissions; its premiums are reduced by an amount that would be payable to an agent if it did business on the old plan.

The reductions are made part of the policy contract which has been approved by this Department as being in accord with our law."

Agent May Pay First Year's Premium and Take Note of Insured for Amount Advanced

Extract from letter dated March 15, 1912, from the Superintendent to N. H. Weed, Editor Life Insurance Independent.

" * * * You ask:

'Is it, in the opinion of the Department, unlawful for a life insurance agent, in writing a new policy, to advance and pay to the insuring company out of his own funds the full first year premium when he delivers the policy to the insured, taking in exchange therefor the three months note of the insured to the agent individually for the full amount so advanced and interest thereon, the same being done in good faith and without any qualifying agreement or understanding and with the actual and real purpose of the agent to enforce and of the insured to pay the full amount of said note and interest at maturity?'

It is not."

Annual Premium Policies May Not be Paid for in Monthly Installments

Extract from letter dated September 25, 1912, from the Superintendent to the Massachusetts Mutual Life Insurance Company.

"Your letter of the 23rd inst. has been received, and the proposition therein set forth has been carefully considered. As the Department understands the proposition, it is briefly this: A certain firm having offices in your city will apply for insurance upon the lives of three of its employees, such insurance to be for the benefit of the firm; the policy or policies to be written upon the annual premium rate, but the firm wishes to pay the premium in equal monthly installments until the full amount of the annual premium has been paid. The company which solicits this insurance declines to accept payment of premiums except upon the annual, semi-annual or quarterly basis, and it will not accept notes for any part of the premium. You wish to be advised whether an agent offering to take this business on the basis mentioned would violate any law of the State of New York.

If it be assumed that the above statement of the proposed course of business is correct, it is considered that it would be in violation of the provisions of sections 55, 58 and 89 of the New York Insurance Law."

Distribution of 25-cent Coupons Constitutes a Rebate

Extract from Opinion of Department Counsel dated November 18, 1912.

"The distribution of 25-cent coupons receivable on account of premiums for sick and accident policies to patrons of moving picture shows, constitutes a rebate and discrimination."

"Group Insurance" and "Rebates" Distinguished

Extract from letter dated December 6, 1912, from the Superintendent to the Connecticut General Life Insurance Company.

"You write as follows:

'We have recently had proposed to us by our Syracuse Agent the insuring of the employees of the Syracuse Trust Company, some twelve or fourteen in number, under a plan by which the Company would pay the premiums and employees would have to take the insurance subject to evidence of good health but at a reduced rate. * * * Under an agreement whereby all the employees of the Trust Company must be insured would you look upon the offering of a lower premium as in the nature of a rebate or as in the nature of group insurance?'

Under the circumstances stated I would look upon the offering of a lower premium as in the nature of group insurance."

(See also § 141.)

Agent May Refund First Premium as a Gift

Extract from letter dated February 18, 1913, from the Superintendent to the Provident Life and Trust Company.

"Referring to your favor of the 12th inst. * * * I would state that the intent of section 89 of the Insurance Law is to prevent 'any discrimination between individuals of the same class or of equal expectation of life, in the amount or payment or return of premiums or rates charged for policies of insurance, or in the dividends or other benefits payable thereon, or in any of the terms and conditions of the policy.'

The prohibitions of the section relate to special favors or advantages offered as inducement to any person to insure.

As I understand your letter, you do not propose to refund to Father Burns the amount of the first premium as an inducement to insure. I do not think that the law should be construed to forbid you or any other man from making a present, as a pure matter of friendship, out of moneys belonging to you."

Circular Letter of March 10, 1913, in re Giving of Rebates

"There have been a number of complaints made to this Department with respect to rebating and offers of rebate in this State. The Department is most anxious to do everything in its power to stamp out this evil, and trusts that your company feels the same way with respect to this question. It is as much a violation of the law of this State to offer a rebate as it is to give a rebate, and we desire that this fact be impressed upon the agents of the various life insurance companies operating in this State.

I desire, therefore, that your company take such action as you may think best to impress upon your agents the above facts, and notify them that, if they desire to continue business in this State, they must neither give, nor offer to give, a rebate."

Consideration Must be Expressed in Policy Contract

Extract from letter dated April 15, 1913, from the Superintendent to the Travelers Insurance Company.

"In reply to your favor of the 10th inst., I would state that the Rebate Law of this State prohibits any agent, solicitor or representative of an insurance company to pay, allow, or give, or offer to pay, allow or give, directly or indirectly any valuable consideration or inducement whatever not specified in the policy. In the case you mention, if the agent desires any such transaction to be legal, it must be written in the policy contract."

Giving of Tickets or Chances Upon a Building Lot to Purchasers of Insurance Constitutes a Rebate and Discrimination

Extract from letter dated June 24, 1913, from the Superintendent to the Niagara Fire Insurance Company.

"Your favor of the 17th inst., enclosing an advertisement by Willis-Buckle Company of a plan involving the giving of tickets

or chances upon a building lot to purchasers of insurance, and asking whether such plan constitutes a violation of law, was received by due course of mail.

The plan as outlined in the advertisement, in my opinion, is a violation of sections 65 and 89 of the Insurance Law of this State, and of sections 1191 and 1200 of the Penal Law, all relating to rebates, and of section 1373 and others of the Penal Law relating to lotteries."

SUB. 6. ONE YEAR TERM PREMIUM

Renewable Term Rates May be Used for Non-Renewable Term Insurance on Impaired Lives

Extract from letter dated May 20, 1907, from the Superintendent to The Washington Life Insurance Company.

"The renewable clause in a term policy is optional with the company issuing the contract and it may be ruled out from your regular form when you desire to withhold the privilege.

You state that you have certain rates for renewable terms. and ask:

'In your opinion, would discrimination contrary to law be made if these rates were used for non-renewable term insurance where the lives were not up to the same standard as to hazard as the lives contemplated in making these rates for renewable term insurance?'

In my opinion, this would not be discrimination within the meaning of the law, provided there be no question as to the sufficiency of the rates."

Section 91 — Business to be Accepted from Licensed Agents Only; Agent's Certificate of Authority

SUB. 1. APPLICATION OF SECTION

When Certificates are Required of Agents Employed by Industrial Companies

Agents procuring insurance upon ordinary life plan although employed by industrial or prudential companies, must procure agent's certificate of authority.

(See Op. A. G. July 13, 1897.)

Certificates Required of Agents of Life Club on Neighborhood Plan

Agents of life insurance club on neighborhood plan must procure certificates of authority.

(See Op. A. G. March 10, 1904.)

Field Canvassers and Office Help Obtaining Birthdays and Insurance Information Must be Licensed Agents

Extract from letter dated June 23, 1909, from the Superintendent to Mr. John I. D. Bristol.

“For your Mr. Rudolph Recht you make the following inquiries:

‘*Inquiry 1.* Can I, or any other agent of this company (without first obtaining an agency license and company contract), under the present State laws and company contract relations, employ one or more men whose specific duties shall be to canvass the field for birthdays and insurance information, such employees to receive a stipulated salary, which salary is not to be affected by the amount of business closed through the information obtained through the employee’s efforts, the employee having absolutely no commission interest in any business which may be obtained as a result of the information he brought into the office?’

‘*Inquiry 2.* I, as well as other agents am employing office help to whom is being paid a specific salary for the office duties they are required to do. Could these men, from time to time, be detailed to cover an office route list, not to solicit life insurance but to obtain birthdays and insurance information where possible, represent themselves as being sent for this information by their employer and such employees to receive absolutely no compensation for this work other than their regular salary which they are getting for the office duties they are performing and not to be in any way interested in any business which may be written resulting from information which they might procure? Can an agent so employ an office help without obtaining a State insurance license and also without making an agency contract? If the making of an agency contract would be imperative, how can I make a contract with an office employee whose compensation is for office work and who is to receive absolutely no recompense on amount of insurance written as a result of information obtained by him?’

“I am of the opinion that men employed as is proposed above must be licensed agents.”

Applications for Annuities May be Accepted from Person Not Licensed Provided no Commission be Allowed

Extract from letter dated July 23, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"In your favor of the 22d inst., just received, you write as follows:

'In your opinion does section 91 apply to annuities? Applications for annuities frequently come from lawyers, brokers, and others who are not life insurance agents. It is natural for those in charge of estates to advise annuities for certain classes of people. Can we not issue these without the services of a licensed agent?'

To this my answer is yes, provided no commission be allowed for the consideration received."

Companies Doing an Annuity Business May Employ Non-Licensed Persons as Life Insurance Agents

Extract from letter dated March 7, 1912, from the Superintendent to Alfred Hurrell, Counsel Association of Life Insurance Presidents.

"I am in receipt of your letter of the 5th inst. in relation to the right of companies, authorized by their charter to do an annuity business, to receive such business from persons who are not licensed by the Insurance Department as life insurance agents, and to pay such persons compensation or commission for securing such business.

You ask the question, for a ruling thereon, whether there is any prohibition in the Insurance Law against an insurance company or other corporation authorized to do an annuity business from paying commissions or compensation for such business to persons not licensed as aforesaid.

In answer thereto, I beg to say that there is, in the opinion of the Department, no such prohibition in the Insurance Law."

Unauthorized Company May Place Insurance on Life of Citizen Provided Contract is Made Direct with Company

Extract from letter dated September 21, 1911, from the Superintendent to the Puritan Life Insurance Company.

"* * * You write:

'We have received this date a letter from a party in Brooklyn, N. Y., requesting a policy for \$5,000 on the twenty payment life plan in the Puritan Life Insurance Company with the request that the application be placed through a Mr. Schoenfeld, an insurance broker located in Jersey City, N. J.

We appreciate, of course, that we are not at the present time operating in the State of New York and desire to comply entirely with the rulings in such cases.

We are of the opinion that we would have the right to issue a policy to an applicant who applies to us through the mail without solicitation on our part. In our desire, however, to fully comply with the law we would appreciate your opinion on the matter before proceeding further.'

It would appear from the above that the proposed transaction contemplates the placing of insurance on the life of a citizen of this State by an unauthorized company, through an intermediary located in another State and not subject to the laws of this State; this would be in effect a violation of our laws.

If the transaction was one initiated and to be carried out between your home office and the insured, no outside party participating, it would in my opinion be perfectly allowable."

Actuary Acting as Advisor Must Have Agent's Certificate

Extract from letter dated October 1, 1912, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"You state:

'I have in contemplation the employing of an actuary, in connection with this office, upon a stipulated weekly salary. It is my desire to use him also in interviewing prominent men, after an appointment has been made, to go over the subject and advise them in every way they may desire. Under no circumstances is he to solicit or take an application, and he is to confine his work to that of an advisor.'

I am of the opinion that a person so employed should have an agent's certificate of authority."

Corporation May Not be Licensed as a Life Agent

Extract from letter dated May 12, 1913, from the Superintendent to J. B. Fellheimer.

"This acknowledges your letter of the 10th inst., with reference to the organization of an agency corporation for the purpose of writing life and accident insurance.

In reply you are advised that life agents' certificates of authority are not issued to corporations under section 91 of the Insurance Law. Therefore, if such a corporation as you contemplate organizing were formed, it would be impossible for the corporation itself to obtain a life agent's certificate of authority from this Department.

Under section 142 of the Insurance Law, which relates to the licensing of agents, it would be possible for a corporation to obtain an agent's certificate of authority to represent companies writing health and accident insurance.

We know of no law which would prevent the organization of a corporation for the purpose of acting as the agent for authorized insurance companies."

Partnership May Not be Licensed as a Life Agent

Extract from letter dated June 18, 1913, from the Superintendent to the Mutual Benefit Life Insurance Company.

"We are enclosing herewith an application, filed in this Department this day. This is executed by Andrew J. Corsa & Son. We do not issue certificates of authority to copartnerships for life agents. Therefore, it will be necessary for each one of the persons composing this firm to make an individual application to this Department."

SUB. 2. SHARING COMMISSIONS

Licensed Agent May Not Share Commissions with Nonresident Agent who Does Not Hold a License

Extract from letter dated Oct. 25, 1911, from the Superintendent to the Pennsylvania Mutual Life Insurance Company.

"* * * You write:

'Kindly advise us at your early convenience whether a duly licensed agent of this company, resident in the State of New York, may pay to one of this company's agents, resident in another State and who is without a New York license, a commission upon a risk which the latter may turn over to the former for closing?'

Section 91 of the Insurance Law provides that:

'No life insurance corporation doing business within this State, or agent thereof, shall pay any commission or other compensation to any person for services in obtaining new insurance, unless such person shall have first procured from the Superintendent of Insurance a certificate of authority to act as an agent of such company as hereinafter provided.

Licensed Subagent May Not Share Commissions on Business Secured in the State with Unlicensed Manager

Extract from letter dated February 17, 1912, from the Superintendent to the Equitable Life Assurance Society of the United States.

" * * * You write:

'Section 91 of the Insurance Law reads in part as follows:

'No life insurance corporation doing business within this State, or agent thereof, shall pay any commission or other compensation to any person for services in obtaining new insurance, unless such person shall have first procured from the Superintendent of Insurance a certificate of authority to act as an agent of such company as hereinafter provided.

'Any person or corporation violating the provisions of this section shall forfeit to the State the sum of five hundred dollars.'

Kindly advise me whether the society would be violating the above law by paying a commission to a manager who does not hold a New York life agent's certificate of authority, on account of business secured in this State by a sub-agent of such a manager, provided that the said sub-agent holds a life certificate issued by you authorizing him to solicit insurance for this society; and provided further, that the said manager did not participate in any way in securing the application for insurance.'"

In my opinion the payment by the society of a commission on account of business secured in this State, to a manager who does not hold a New York life agent's certificate of authority, and who did not participate in any way in securing the application for insurance, would be a violation of the above law."

Licensed Agent May Not Share Commissions with Nonresident Agent who Aids in Procuring Insurance, Unless Such Agent Holds a Certificate of Authority

Extract from letter dated June 11, 1912, from the Superintendent to the Mutual Benefit Life Insurance Company.

" * * * You state:

'One of our agents in Minnesota solicited a man, who afterwards moved to Syracuse, and wrote to us to follow the case up. One of our regularly licensed agents solicited this man, and finally wrote his application. He handled the matter completely and entirely, but feels that the agent in Minnesota who formerly worked on the case, is entitled to part of the commission. Under the circumstances does your Department rule that the man in Minnesota should have a license to receive part of the commission, he not appearing in the present transaction in any way?'

Section 91 of the Insurance Law of this State provides:

'No life insurance corporation doing business within this State, or agent thereof, shall pay any commission or other compensation to any person for services in obtaining new insurance, unless such person shall have first procured from the Superintendent of Insurance a certificate of authority to act as an agent of such company as hereinafter provided.'

New York Agent May Not Share Commissions With Nonlicensed Foreign Agent Procuring Prospects

Extract from letter dated November 25, 1912, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"You state:

'A question has risen in connection with section 91 of the New York Insurance Law as follows:

Is an agent of this company in another state required to be licensed in New York in order to receive a commission on a policy issued through a regular agent of this company in New York and duly licensed as such in a case wherein the outside agent writes the New York agent giving him the name of a prospect and the regular New York agent writes the application and delivers the insurance?'

In my opinion the payment of commission as recited would be a violation of the prohibition of section 91 of the Insurance Law.

SUB. 3. AGENTS' APPLICATIONS FOR CERTIFICATES OF AUTHORITY

Rulings of the Superintendent dated May 17, 1909, on the law which became operative May 7, 1909.

First. These applications must be signed by the proposed agent and countersigned by the company he is to represent.

Second. Agents representing more than one company must file a separate application for each company to be represented, such application to be approved and countersigned by such company. There is no provision in the Insurance Law recognizing a general license authorizing the holder thereof to represent several life companies.

Third. The new regulations apply to all agents for life insurance companies, whether such companies be New York companies or companies organized under the laws of other states or countries.

Fourth. The power given the Superintendent to refuse to issue certificates of authority will be exercised in all cases where answers are unsatisfactory.

Fifth. Agents appointed on company applications filed on or before May 6th, will not be required to apply under the new law

until January 1, 1910, they being authorized agents under the old law until that date."

(See § 49 "Agents.")

Superintendent Has Discretionary Power to Issue or Refuse License to Agent

Extract from Opinion of Department Counsel, dated April 18, 1910.

"Under section 91 of the Insurance Law, you have the discretion to issue or refuse to issue a license. The law was moulded in its present form apparently with the express purpose of giving the Superintendent the opportunity to use his discretion for the betterment of the so-called field conditions of life insurance. * * * Having given you a wide discretion in the right to grant or refuse to grant a license, it would seem that the law does not require you to test every question presented concerning a man by the cold rules of evidence."

(See letter dated Nov. 22, 1909, from the Superintendent to the New York Life Insurance Company, § 89, sub. 4.)

(See also §§ 49 and 50.)

SUB. 4. FORM OF APPLICATION FOR AGENT'S CERTIFICATE OF AUTHORITY UNDER THE LAW WHICH BECAME OPERATIVE MAY 7, 1909

Authorized by the Superintendent May 12, 1909

Read section 91 of the Insurance Law as amended May 7, 1909, on reverse side of this application.

STATE OF NEW YORK — INSURANCE DEPARTMENT

Application for Agent's Certificate of Authority

BY

Name:

* Business address:

Insert (a) Street and Number, (b) City or Town, (c) County, (d) State.
(If a non-resident, fill in this line also; see footnote.)

.....

* A non-resident applicant must insert at "Business address" (a) home business address, and (b) a business address in this State indicating the

STREET AND NUMBER

RESIDENCE

COUNTY

Residence address:

Insert (a) Street and Number, (b) City or Town, (c) County, (d) State.

Company you desire to represent:

Are you to act as Soliciting Agent, or Man-

aging or General Agent?

Present occupation:

(Give full details.)

.....

What other or further occupation have you
 been engaged in during past twelve
 months?

Has your license ever been refused, suspended
 or revoked by the Insurance Department
 of this or any other State?

If so, give particulars

Do you intend to devote your time wholly to
 soliciting life insurance?

What business other than life insurance, if
 any, do you intend to carry on?

What previous experience have you had in
 the life insurance business?

Does any company or agency with whom you
 have previously been engaged claim any
 unpaid balance against you for any cause
 whatever? If so, state
 particulars

.....

If a soliciting agent, give approximate
 amount of insurance, or number of policies,
 if any, written by you and paid for during
 past twelve months.

For what Companies?

.....
 county in this State in which he has an office for the transaction of business.
 Thus, a non-resident may show *two* business addresses; he *must* show one
 business address in this State.

The Department requires that there shall accompany each application for
 an Agent's Certificate of Authority evidence that the company or its repre-
 sentative has investigated the qualification of the applicant to act as their
 agent. A written report of such investigation, giving the facts as to the
 character and experience of the applicant, countersigned by the officer who
 approves the application, must be attached hereto.

This application is made for the purpose of procuring a Certificate of Authority from the Superintendent of Insurance of the State of New York to act as an agent of the.....; and I warrant the answers and statements above made to be full, complete and true.

.....
(Signature of person desiring certificate.)

Witness:

.....

=====

This application is approved, and we request that the Certificate of Authority asked for be granted.

.....Company

By.....

Section 92 — No Forfeiture of Policy Without Notice

Company May Not Omit the "Grace Clause" in Policies on the Monthly Payment Plan; "Industrial Insurance" Defined

(See letter dated May 9, 1907, from the Superintendent to the Washington Life Insurance Company, quoting letter from Haley Fiske to the Superintendent, § 101 (old), sub. A. 2.)

Assignment of Policy Effective Between the Parties Without Notice to Company

Ruling of August 9, 1909.

"The statement (in a life insurance policy) that no assignment shall take effect until written notice thereof shall be given to the company, is not proper. An assignment of a policy of life insurance, when made in regular form by the proper party and for a sufficient consideration will 'take effect' as between the parties to such assignment, whether or not written notice of the assignment be given to the insuring company. The form which is in common use seems to be better. This provides as follows: 'No assignment of this policy shall be binding upon the company unless the original assignment or a duplicate thereof be filed at its home office.'"

Waiver of Lapse or Forfeiture Provisions in Application Void

(See Ruling of August 7, 1909, § 88, sub. 18.)

Attempt to Limit Time for Action on a Policy to One Year Prohibited

Ruling of August 3, 1909.

"The attempt to limit to one year the time for commencing an action on the policy contract cannot be approved. Section 92 of the Insurance Law provides that on a *forfeited policy* an action may be instituted within *two years* from the day upon which default was made in paying the premium, etc. * * * In the case of an insurance policy, which matures as a death claim, or as an endowment, it seems that the ordinary limitation established by the Code of Civil Procedure should apply."

Section 94 — Election of Directors*Maintenance of Lists of Names of Policyholders at General Agencies*

Department ruling dated July 10, 1906.

"Under the provisions of section 94 of the Insurance Law, as enacted by chapter 326 of the Laws of 1906, this Department holds that every domestic life insurance corporation whose policyholders will be entitled to vote for directors, must file with the Superintendent of Insurance two full and correct lists of the names of such policyholders, and also maintain two duplicate lists at its home office. It will not be necessary to furnish any other copies of such lists for public use within the State of New York.

The law requires the names on such lists of policyholders to be arranged alphabetically and to be classified by states, territories and possessions of the United States, and by foreign countries. Under our construction of the statute this constitutes a distinct jurisdiction of each separate state, territory and possession of the United States, and each separate foreign country wherein policyholders are located, within which, severally, unless prohibited

by law, the corporation must maintain two similar lists of names of its policyholders residing in such jurisdiction.

In the opinion of the Department every such life insurance corporation should, pursuant to this section, formally designate a general agency for each such jurisdiction where such lists shall be maintained. Such general agency may be provided by naming one already established under that title, and where not so named by a special appointment as hereinbefore stated.

The Department cannot approve nor recognize the jurisdiction (territory) divided or allotted to general agencies by a corporation, the boundaries of which do not conform to the limitations of the statute for this specific purpose.

The names of the policyholders to be placed on such duplicate lists prepared by a corporation for its general agency in each jurisdiction, are of such policyholders only as are residents of the particular jurisdiction stated, and not in every instance a complete list of all the policyholders of the company."

How Copies of Lists of Policyholders May be Obtained

Extract from letter of April 12, 1909, from the Superintendent of Insurance to Mr. Sol Rosenblatt.

"The Superintendent has made the following ruling in regard to obtaining copies of lists of policyholders on file in the Department:

'Lists of policyholders on file shall be subject to inspection and copy by any policyholder, or by his authorized representative, at any time during business hours. A policyholder appearing in person must present his policy, his last receipt for premiums paid and satisfactory proof of his identity. A policyholder designating a representative to inspect or copy from a list on file in the Department will be privileged to appear by only one representative at a time. This representative must produce a written designation conferring authority in each instance, stating the name of the company insured in, the number of the policy, the date to which premium has been paid, and name of the appointee; the designation must be duly signed by such policyholder and acknowledged by him before a notary public.'

Form of Authorization

TO WHOM IT MAY CONCERN:

BE IT KNOWN that in accordance with paragraph 5 of Section 94 of the New York Insurance Laws, and with the regulations prescribed by the Superintendent of Insurance thereunder, I hereby designate, empower, authorize

and appoint as my representative to inspect
and copy the lists of Life Insurance Company of
..... during the time they are on file, as provided by
law.

I further certify that I am insured in the said
Life Insurance Company of by Policy No.
upon which the premium has been paid to and
that I reside in

..... (SEAL)

STATE OF }
COUNTY OF } as:

BEFORE the undersigned, a notary public, in and for said county and
state, personally appeared personally known
to me to be the same person whose name is signed to the foregoing instrument,
and acknowledged that he executed and delivered the same as his free and
voluntary act and deed, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto affixed my notarial hand and
seal this..... day of A. D. 19...

.....
Notary Public.

*Company May File Corrected Copies of Last Year's Lists of
Policyholders with Supplement Containing Business for 1910*

Extract from letter dated March 27, 1911, from the Superintendent to the
Germania Life Insurance Company.

" * * * You state that:

'The removal of our offices to the new building at Union Square and East
Seventeenth Street will interfere to a considerable extent with the daily rou-
tine work and it would, therefore, be a great convenience to us if we could
be allowed to file our lists of last year with a supplement containing the
business of 1910. And inasmuch as independent nominations for directors
of this company have not been made in the past and are not likely to be
made in the future, we hereby take the liberty of asking whether the filing
of the lists of European policyholders could not be dispensed with and the
time and cost of preparing such lists be thus saved to our Berlin office.'

I would advise you that filing corrected copies of last year's
lists of policyholders in the home department with a supplement
containing the business of that department for 1910, will be con-
sidered a practical compliance with the law. In the event of the
nomination of an opposition ticket this ruling will not hold good.

*Lists of Policyholders in Life Companies Not Subject to Copying
for Private Use*

Extract from letter dated June 7, 1912, from the Superintendent to Benedict M. Holden.

"I am in receipt of your letter of the 5th inst. enclosing a letter of introduction from Hon. Theodore H. Macdonald, ex-Insurance Commissioner of the State of Connecticut.

You state in your letter that, under the laws of the State of New York, insurance companies are obliged to file in this Department lists containing the names of policyholders who have the right to vote for trustees, etc., and you ask whether, if you should send a clerk here to Albany with a stenographer, you might secure the names of the policyholders in the New York companies.

It is true that the lists of policyholders are temporarily in the possession of this Department in connection with the election of directors, but they are sent here solely for use in that connection, and they have never been given to the public by the Department. It has been felt that, if public access to these lists were permitted, they might be utilized by persons who had in mind other objects than those for which the lists were filed here. This would not be fair to the companies nor to the individual policyholders. I must, therefore, answer your inquiry as to the possibility of having these lists copied for private use in the negative."

Inspectors of Election Must be Designated by Superintendent

Inspectors for the election of directors of a domestic life insurance company should be designated by the Superintendent.

(See Op. A. G. Dec. 10, 1906.)

Nominations of Directors Must be Filed with Superintendent

Name of candidate for director must be filed with Superintendent as having been nominated for that office.

(See Op. A. G. May 22, 1908.)

Effect of Section on Stockholders

Section 94 applies to stock companies in which policyholders, either in whole or in part, are given the right to vote for directors,

but does not preclude stockholders from voting upon their stock in accordance with the Stock Corporation Law; a stockholder cannot also vote as a policyholder.

(See Op. A. G. Dec. 21, 1906.)

1907 Amendments Not Applicable to Elections of Stock Companies

Chapter 623, Laws of 1907, extending periods within which nominations might be made, does not apply to the elections of stock life insurance companies held in 1907, but such elections may be held in accordance with the provisions of the section prior to amendment.

(See Op. A. G., Aug. 30, 1907.)

Effect of Amendment of 1907 on Stock Companies

All proceedings of stock insurance corporations after July 19, 1907, are to be governed by amendment to section 94 [chap. 623, L. 1907], in effect on that day, so far as the same can be applied without taking away the right to file nominations and hold elections.

(See Op. A. G., Sept. 10, 1907.)

When Policyholders May Not Participate in Election of Directors

The amendment to the charter of the Equitable Life Assurance Society providing for the election of twenty-eight of its fifty-two directors by the policyholders of said company and excluding the stockholders from participation in such election being illegal and void, the policyholders of such company have no right under present conditions to participate in the election of directors.

(See Op. A. G., May 4, 1911.)

See also decision in the case of *Lord v. Equitable Life Assurance Society* (194 N. Y. 212), which held that the amendment to its charter, adopted by the Equitable Life Assurance Society in 1906, permitting the election of twenty-eight of the fifty-two directors of the society by the policyholders, was illegal and void because it excluded from the election of such twenty-eight directors the votes of the stockholders who were legally entitled to vote for all of the directors of the society as a property right.

Proxy Only Covers Directors Named in Nomination Certificate

Extract from letter dated September 27, 1912, from the Superintendent to L. M. Merchant.

In reply to your favor of the 26th inst. I beg to state that as I read the nomination certificate forwarded by you, in the matter of the Security Mutual Life Insurance Company of Binghamton, N. Y., that the three persons designated therein are designated for the particular purpose of receiving proxies, which proxies are to be voted for in support of the persons nominated for directors in said nomination certificates and for no other purpose. It does not appear that any one of the three persons designated to receive the proxies could properly vote for anyone for director other than those named by the policyholder signing the nomination certificate.

Proxy Must be Executed Within Three Months Prior to Election

Extract from letter dated October 29, 1912, from the Superintendent to the Security Mutual Life Insurance Company.

"You write as follows:

Subdivision 12 of section 94 of the Insurance Law provides: 'At least three months prior to any such election, the corporation shall cause to be mailed . . . a serially numbered official ballot in a form approved by the Superintendent. . . . The respective tickets nominated, etc.' Subdivision 16 provides: 'A policyholder desiring to vote by mail must indicate the name of the nominee, etc. . . . and must sign the said official ballot in his own handwriting, etc.' Subdivision 17 provides: 'Such policyholder must enclose the official ballot so marked in such return envelope or in a similarly inscribed envelope,' etc.

Subdivision 18 provides: 'Any policyholder may vote by proxy. . . . A proxy shall not be valid unless executed within three months prior to the election, etc. Under the foregoing provisions of the statute, it would appear that the time of mailing by the company to the policyholders of the official ballot is not specified, except that it must be "at least three months prior to such election." The next election of this company occurs on the 4th day of February, 1913, so that according to our understanding of the law, and as we are advised by counsel, such official ballots may be mailed at any time between now and not later than November 4, 1912. As the statute is entirely silent, the policyholder would seem to have a right to vote the official ballot by mail at any time after he receives the same. A proxy, however, to be valid, must be executed on or after November 5, 1912, in order to be voted at the approaching election. If our understanding of the law is not correct, please advise.'

My understanding of the above-quoted provisions of subdivision 18 agrees with yours."

Vacancies in Administration Ticket; How Filled

Extract from letter dated April 15, 1913, from the Superintendent to the Manhattan Life Insurance Company.

"Your favor of the 12th inst., relating to the filling of certain vacancies in your Board of Directors has been received. You state:

'Two of the nominees whose names are on the administration ticket (filed with the Department in accordance with the law) resigned as directors within five months prior to the approaching election. They have both stated that if elected in May they will not serve and will write a letter to that effect, if desired. Their names being still on the administration ticket filed with you, it would seem that there is no other course but to leave their names on the ticket.'

From this statement it would appear that two of the nominations for your administration ticket have been voided within five months prior to the approaching election by the declination of the nominees to act as directors. This being so, I am of the opinion that the vacancies so caused may be filled by action of the directors elected at the election in question. I would suggest that this action be later ratified by the entire board."

Section 96 — Limitation of New Business

Section 96 refers to limitation of new business by domestic life insurance companies only.

(Ins. Dept. rulings, Dec. 5, 1906. Section since amended.)

Meaning of "Issued" as Used in This Section

Extract from letter dated July 23, 1909, from the Superintendent to the New York Life Insurance Company.

"The Department understands that the meaning of the word 'issue' in section 96 is that only policies which have actually been paid for and of which the company writing them has received advices, so as to make proper entries on its books on or before December 31st in any given year, should be considered in estimating the gross amount of new business 'issued' in that year; that is, always granting that such company has, in good faith, used all reasonable diligence to secure such advices and make such entries."

Annuity Contracts of Any Form Not Within Provisions of Section

Extract from letter dated August 2, 1909, from the Superintendent to the New York Life Insurance Company.

"I would advise you that in my opinion annuity contracts, whether they are survivorship annuities or not, do not come within the provisions of sections 96 and 97 of the Insurance Law, except as to the provisions of the latter section relating to expenses other than investment expenses."

The Words "Policies of Reinsurance" in Section 96 Cover Cases of Assumption by One Company of the Policies of Another

Extract from letter dated November 9, 1911, from the Superintendent to the Metropolitan Life Insurance Company.

"Answering your letter of November 6th, I note that you ask whether, in my opinion, the words 'policies of re-insurance' in section 96, among the policies which shall not be counted in determining the amount of new business issued, cover the case of the assumption by one company of the policies of another company. This I answer unquestionably yes.

These words were inserted at the instance of the Department so that companies which were approaching, or were likely to approach, the limit on new business set by section 96 would still be in the market, so far as this Department was concerned, in case it was liquidating a company and desired to reinsure the latter's business. It was thought that if the company to which application was made should be so prosperous as to be near the limit, it would hesitate to make a reinsurance desired by the Department and thereby deprive its field force of proper opportunity to write its full quota of new business."

Method of Determining Amount of New Insurance to be Issued

Extract from letter dated December 17, 1913, from the Superintendent to the New York Life Insurance Company.

"Your favor of the 15th inst., in re section 96, limitation of new business, has been received. Section 96 of the Insurance Law provides that in determining the amount of new insurance issued:

'Policies of reinsurance and industrial policies issued upon the weekly premium plan . . . shall be excluded and there shall be included only that insurance upon which the first premium or installment thereof has actually been received.'

To the amount of insurance so determined as issued in 1913 is to be added the percentage of increase found as provided by the statute, and from the total of these amounts is to be deducted the excess issued over the normal limitation for 1913, this giving the net amount of new insurance to be issued in 1914.

This would appear to be in agreement with your construction of the statute."

Limitations of Section 96 Apply to Foreign Life Insurance Corporations

Extract from letter dated October 3, 1912, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"Section 96 of the Insurance Law which limits the amount of new business which may be written by a domestic life insurance corporation applies to the issues 'in the aggregate.' The limitations of this section apply to foreign life insurance corporations doing business in this state."

Section 97 — Limitation of Expenses

SUB. 1. APPLICATION OF SECTION

Section 97 Not Operative Until January 1, 1907.

Extract from letter dated June 4, 1906, from the Superintendent to the North American Life Insurance Company.

"* * * The provisions of this section in limiting expenses of management do not become operative either against domestic or foreign life insurance companies until January 1, 1907."

New Provisions of Law Do Not Affect Contracts Previously Entered Into

Extract from letter dated August 16, 1906, from the Superintendent to The Western Underwriter.

"The Attorney-General has taken the general position that the new provisions of the Insurance Law would not and could not

affect contracts previously lawfully entered into and as to which there was no power of alteration or revocation reserved, at any rate."

Nylic Contract Not Affected by Amendment of 1906 and Should be Classified as a General Expense of Company

Extract from letter dated February 12, 1907, from the Superintendent to Mr. W. L. Guffin.

"Your favor of the 4th inst., in re Nylic agents of the New York Life Insurance Co., has been received. From an opinion of the Attorney-General bearing date December 28, 1906, I quote the following:

'First. The legal relation created between the company and the soliciting agent by membership in "Nylic for Agents," is contractual.

Prior to the insurance legislation of 1906, there was no legal obstacle in the way of a life insurance company of this State making the arrangement with agents embodied in membership of "Nylic for Agents."

'Third. The "Nylic" contract, above referred to, made prior to April 27, 1906, is not subject to the provision of the law of 1906, prohibiting "All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for."

'Fourth. The "Nylic" arrangement and the legal relation, above referred to, being contractual and valid prior to April 27, 1906, the insurance statute passed on that day does not interfere with the "Nylic" contract with agents then members of "Nylic."

'Fifth. In classifying the expenses of the company's business, this "Nylic" expense should be classified as a general expense of the company.

'Sixth. Under the provisions of the Insurance Law, as amended in 1906, and particularly the limitations and prohibitions of sections 97 and 98, the plan and agreements or contracts of "Nylic" for agents cannot be continued for agents employed after such amendments took effect and any "Nylic" contracts made after the taking effect of the amended statute are contrary thereto and illegal and void.'

See the case of *Boswell v. Security Mutual Life Insurance Co.*, 193 N. Y., p. 465, in which the court said (page 473):

'We are of opinion that section 97 of the Insurance Law should not be construed as retroactive and, therefore, it does not apply to the contract before us. If construed otherwise it would contravene the provision of the Federal Constitution that no State shall pass any law impairing the obligation of contracts.'

Section Has no Application to New Business Secured Under Contracts Entered into Before the Passage of the Law

Extract from letter dated June 10, 1909, from the Attorney-General to the Superintendent of Insurance.

" * * * You call my attention to two opinions rendered by my predecessor under dates of January 27, 1908, and December 28, 1908, and ask the following questions:

'First. In the case of an agent's contract made before the enactment of section 97, providing a rate of compensation for first year business greater than that permitted by section 97, as in the case of Boswell, what disposition should be made of the amount paid to such agent in excess of the amount permitted by section 97?

Second. Should a life insurance corporation, which has outstanding agency contracts of the character above mentioned, be held to the limitations prescribed in section 97 as to expenses for new business acquired through such agencies?

Third. Should the limitations prescribed in section 97 as to expenses for new business, be applied to each individual agent; to the aggregate expenses of all agencies; or only to such agents as hold contracts made in accordance with the provisions of section 97?

Fourth. What provision, if any, should be made in Schedule Q under the head of Mortality gains (by Select-and-Ultimate method) for business acquired through an agent holding a contract of the character above mentioned?'

* * * I therefore advise you to disregard the opinion of the deputy Attorney-General dated December 28, 1908, and to be guided as to the proper interpretation of this law by the opinion of January 27, 1908, setting forth the decision of the Appellate Division in this case. (Boswell v. Security Mutual Life Insurance Co., 119 App. Div. 723.)

I also advise you that under the decision of the Court of Appeals (193 N. Y. 465), this section is to have no effect whatever upon contracts with agents entered into before its passage.

The answers to your four questions follow logically and clearly from these two principles:

First. The amount paid to each agent in excess of the amount which would be permitted by section 97 will be carried simply as a general expense of the company if he procured business under a contract which antedated the enactment of this section.

Second. The corporation is not held to the limitations prescribed in this section as to expenses for new business acquired through agents acting under such contracts,

Third. The limitations prescribed in section 97 should be applied to each individual agent acting under contracts which are subject to this section.

Fourth. The 'Mortality gains (by Select and Ultimate method)' reported in schedule Q of the annual report, need not include such gains acquired through an agent holding a contract not subject to section 97, because they have no effect one way or another upon the amount which the company can expend for new business.

In considering this question, it should be borne in mind that every contract which antedates the enactment of this section is not excluded from its limitations. Only those contracts so entered into which have a definite period to run which has not yet expired are so exempt."

(See Op. A. G., June 10, 1909.)

The Language "On its Behalf" Prohibits Payment by Any Person on Behalf of Company for Forbidden Purposes

Extract from letter dated August 22, 1907, from the Superintendent to Mr. Miles M. Dawson.

"Replying to your inquiry dated the 22d inst., with reference to rulings of the Insurance Department by letters dated August 19 and 20, respectively, under section 97 of the Insurance Law limiting expenses of life insurance corporations, and in response to your request for an opinion interpreting the language 'on its behalf' wherever found in said section, I beg to advise you that this Department construes the entire section in accordance with its spirit and purpose to limit the amount which may be paid by life insurance corporations for compensation and expenses as therein defined and in doing so give force and effect to its entire phraseology. The specific words 'on its behalf' appear in connection with provisions prohibiting payments by a company for new business, for expenses in any year, for applications for insurance or collection of premiums without determination of amount in advance and for advances to solicitors of insurance without adequate collateral security. They unmistakably are intended to prevent expenditures or advances by any person, firm or corporation on behalf of a life insurance company for the forbidden purposes,

without regard to ownership of the funds or of methods employed, and include the incurring of any liability."

Mutual Life Company May Not Give Subscription to Anti-Tuberculosis League

Extract from letter dated October 18, 1911, from the Superintendent to the Mutual Life Insurance Company of New York.

"Your favor of the 10th inst. with enclosures relating to the appeal of the Louisiana Anti-Tuberculosis League, was received by due course of mail; absence from the city has prevented an earlier reply.

I need hardly state to you that I am heartily in favor of any and all plans to improve sanitary conditions, and appreciate the benefits that will flow from such enterprises as that of the league; however, as the law of New York now stands, I am unable to give my approval to the giving by your mutual company of a subscription to such league."

SUB. 2. FIRST YEAR'S EXPENSES, LOADING AND MORTALITY SAVINGS

Computations for Expenses are to be Made by Calendar Years and Should Not Include Fractional Payments Made on Issue of Previous Year but Issues of the Year in Question, to be Received the Following Year

Extract from letter dated June 29, 1906, from Metropolitan Life Insurance Company to the Superintendent of Insurance.

"The Metropolitan Life Insurance Company writes a large number of policies through its ordinary department, where premiums are payable quarterly or semi-annually. It follows, therefore, that on all policies issued in April, May or June, 1906, on a quarterly basis and continued in force, the last quarter of the first year's premium will be due in January, February and March, 1907. Similarly, those policies issued in July, August and September will have two quarters of the first year's premiums falling due in 1907 and those policies issued in October, November or December, 1906, will have three quarters of the first year's premium falling due in 1907.

Agents' commissions are not due or payable until the premiums on which the commissions are based are paid; so that the agents' commissions on first year's premiums paid in 1907 on policies issued in 1906 would constitute a part of the expenses on first year's business and the question arises under section 97 of the Insurance Law:

First, whether the company will be permitted under the provisions of that section to take credit for the loadings and margins therein provided on such first year's premiums received in 1907 on the business issued in 1906, and,

Second, whether that section of the law contemplates the computation of debits and credits on the business actually issued in the year 1907. If it does contemplate such a computation, then does it follow that in calculating the first year's premiums received in the year 1907 on the business issued in that year the company is to exclude all the first year's premiums received on the issue of the year 1906 and also the corresponding expenses which the company paid on account of such premiums.

The Superintendent replied to the above on the 9th July, as follows:

'Computations for expense are to be made by calendar years. They should not include fractional payments made on issues of the previous year, but should include fractional payments on account of issues of the year in question, to be received in the following year.'

Where Applications and Medical Examinations are Made Before January 1, 1907, Premiums Paid After That Date Enter into the Computation

Extract from letter dated November 23, 1906, from the Superintendent to Connecticut General Life Insurance Company.

"Where applications and medical examinations are made before January 1, 1907, but first premiums are not paid until after that date, the policies must be on the standard forms and the premiums enter into the computation."

Company Must Report as Its True Cost of New Business Sums Paid Under Each Head, also Additional Sums Paid by Its Agents to Sub-Agents or Otherwise Over and Above What the Company Has Paid or is to Pay

Extract from letter dated October 28, 1907, from Superintendent to Mr. Miles M. Dawson.

"Your favor of the 24th inst., referring to my letter to the Metropolitan Life Ins. Co. dated July 9, 1906, has been received.

Relating to the ruling contained in the letter referred to, you write as follows:

'As I understand your ruling, it is to the effect that the amounts to be allowed under the limitation of first year's expenses are: First, the loadings on new premiums received during the year for business issued during the year; and second, the loading on deferred and uncollected premiums, not yet received, for the new business issued during the year and the Select and Ultimate margin for all policies issued during the year, computed as follows,

viz.: (a) The full margin upon all policies still in force and a proportionate part of the margin for all policies issued and upon which an installment was received but which have lapsed, these constituting the entire provisions according to the statute and that on the other side there should be charged all sums expended by the company or for which it has become liable under the following heads, viz.:

First. Commissions on first year's premiums on policies issued within the year, including commissions to be paid upon the deferred and uncollected first year's premiums on the same.

Second. For compensation not paid in commissions for services in obtaining new insurance, exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices.

Third. For medical examinations and inspections of proposed risks, and,

Fourth. For advances to agents and also all sums expended by or for which any person, firm or corporation on behalf of the company or under any agreement with the company, has become liable, for the same purposes, including the first year's commissions or other compensation or advances to such agent, because of new business secured by himself personally, in excess of the sums payable to the agent under his contract with his company.

I take it that the idea is, according to your construction of the law as aforesaid, that the company must report as its true cost of new business, first, the sums paid or to be paid by it on account of the new business under each of these heads and also any additional sums paid or to be paid by its agents to sub-agents or otherwise over and above what the company has paid or is to pay, which sums are plainly intended by the statute to be included as a part of the cost of new business to be limited, as stated.'

Your understanding of the ruling and the conclusion you deduce therefrom are entirely correct."

Deferred Dividend Policies Issued in 1907, but Applied for and Premium Paid in 1906, Not to be Included in Computation

Extract from letter dated September 14, 1906, from the Superintendent to The Manhattan Life Insurance Company.

"Where applications and medical examinations are made, and binding receipts are given on payment of the premiums on or before December 31, 1906, the company may write the policies on deferred dividend plans. In such cases the premiums and the commissions thereon should be eliminated from the computations provided for in section 97 of the Insurance Law.

Where the policies are applied for in 1906, but not issued or delivered, nor premiums thereon paid until (on or) after January 1, 1907, they must be written on the forms prescribed in or provided for in section 101 of the Insurance Law. In such cases the

premiums and the commissions thereon would enter into the computations provided for in section 97."

Limitation on Margins for Expenses on Term Policies

Extract from letter dated October 29, 1906, from the Superintendent to Home Life Insurance Company.

"Your favor of the 23d inst., relating to limitation of expenses under section 97 of the Insurance Law, especially in connection with short term insurances, was received in due course.

Your proposal 'to restrict expense to a maximum value at any age of the office premium less one-half of the net single premium for one year's term insurance on the basis of American 3½ per cent., which assumes the mortality in the first year of insurance as 50 per cent. of the tabular rate in accordance with section 84 of the new law,' has my approval."

Date of Changed Policy Controlling Factor in Regard to Subjecting Term Policy to Limitation of Expenses Thereon

Extract from letter, dated March 5, 1907, from the Superintendent to Home Life Insurance Company.

"You ask:

'Do you consider that the changing of a term policy in accordance with its provisions, making the contract a life or endowment one as from a date prior to January 1, 1907, subjects such change and the premiums received thereon to the limitation of expenses as provided for in section 97 of the Insurance Laws, or can such change (so far as the compensation to the agent is concerned) be treated in the same way as the compensation paid upon deferred first year's premiums received during the current year on policies issued during 1906?'

The date of the changed policy is the controlling factor. From your statement, these policies would not be subject to the limitations of expenses for the procurement of new business; they would, however, come within the general limitation of expense."

First Year's Expense Limitations upon Term Premiums

Extract from letter dated August 19, 1907, from the Superintendent to Mr. Miles M. Dawson.

"You ask for a construction of section 97, and particularly of the language at the close of the first sentence: 'and the present

values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium or installment thereof has been received during said calendar year, as ascertained by the Select and Ultimate method of valuation as provided in section 84 of this chapter' and with direct reference to the amount which is set free for first year's expenses under this provision in the case of premiums on term policies.

I am of the opinion that the law permits only such expense allowances as can actually be realized under the Select and Ultimate method of valuation; in the case referred to, not to exceed the 'net annual premium on the term policy less the tabular cost of insurance by the Select and Ultimate Table up to the next anniversary of the policy.' "

Loadings on Annuity Contracts Should be Included in Calculating First Year Expenses

Extract from letter dated July 26, 1907, from the Superintendent to Home Life Insurance Company.

"After referring to the limitations of the section as to expenses other than investment expenses, you write as follows:

'We are uncertain whether the loadings on the various forms of annuity contracts namely: immediate, temporary, survivorship or deferred are to be included in the calculation of the amount of expense to which we may go either on first year's business or on the total business of the company. A ruling on this point will be very greatly appreciated.'

In my opinion the loadings on the various forms of annuity contracts should be included in the calculations referred to."

Annuity Contracts Not Subject to Provisions of Sections 96 and 97 Except as to Expenses

Extract from letter dated August 2, 1900, from the Superintendent to the New York Life Insurance Company.

"I would advise you that, in my opinion, annuity contracts, whether they are survivorship annuities or not, do not come within the provisions of sections 96 and 97 of the Insurance Law, except as to the provisions of the latter section relating to expenses other than investment expenses."

What Constitutes an "Installment" of Premiums

Extract from letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Where an advance payment is made less in amount than a quarterly premium on the policy applied for * * * in my opinion such advance payment is an 'installment' within the meaning of section 97."

SUB. 3. SELECT AND ULTIMATE METHOD OF VALUATION

Estimated Mortality Savings According to the Select and Ultimate Method on Term Policies

Extract from letter dated April 16, 1907, from the Superintendent to The Union Central Life Insurance Company.

"As to expense allowance, the law permits such as can actually be realized under the Select and Ultimate system of reserves, the mortality being precisely as per the Select and Ultimate Table; in no case more than the entire premium less the S. and U. qx, i. e., than the entire premium less $\frac{1}{2}$ of the Am. Ex. qx."

Computations Relating to First Year's Expenses Should be Based on the Am. Ex. $3\frac{1}{2}\%$ Select and Ultimate Table, Both as to Loadings on Premiums and the Present Values of Assumed Mortality Gains, Etc.

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

"You ask for a ruling on the following points:

'When a company reserves on the full American 3 per cent. basis are the present values of the assumed mortality gains on those policies to be calculated according to the American 3 per cent. Select and Ultimate or the American $3\frac{1}{2}$ per cent. Select and Ultimate Table, firstly, for the calculation of the limitation of expenses on new business, secondly, the calculation of limitation of expenses on the total business?' * * *

I am of the opinion that computations relating to first years' expenses should be based on the American Experience $3\frac{1}{2}$ per cent. Select and Ultimate Table, both as to loadings on premiums and the present values of assumed mortality gains; and that computations relating to expenses on total business should be based on 'actual' loadings received and the present values of assumed mortality gains determined as aforesaid."

Expense Allowances Limited to Gains Realized by Select and Ultimate Method of Valuation

Extract from letter dated November 21, 1907, from the Attorney-General to the Superintendent of Insurance.

" * * * The rulings on which an opinion is asked, and the correctness of which is in question, are as follows:

In a letter under date of August 19, 1907, to Mr. M. M. Dawson you held:

'That the law (section 97) permits only such expense allowances as can actually be realized under the Select and Ultimate method of valuation: in the case referred to not to exceed the net annual premium on the term policy less the tabular cost of insurance by the Select and Ultimate Table up to the next anniversary of the policy.'

A protest having been entered as to this ruling, you wrote to Mr. Fred. W. Jenkins, General Counsel of the Security Mutual Life Insurance Company, under date of September 30, 1907, as follows:

'It is clearly the intent of the Legislature to so limit the expenses of life insurance companies for the procurement of new business that the premiums on such business would not only carry the current risk on the policy, but would also take care of the four items of expense set forth in the first sentence of section 97 of the Insurance Law. In order that this might be done companies were authorized to use the total loadings upon the premiums for the first year of insurance and the present values of the assumed mortality gains for the first five years, etc. It clearly was not the intent of the Legislature in authorizing the use of these loadings and present values to make a first year's expense allowance so great that the reserves for that year could not also be met by its premiums.'

The contention is made that these rulings are erroneous; that a proper construction of the section in question would permit the insurance companies to use for the items of expense enumerated the full amount gained according to the Select and Ultimate formula, regardless of reserve requirements, and even though this computation apparently permitted the use of the whole of the first year's premiums, as in fact would be the result as to contracts for short-term insurance. * * *

This section (97) permits the use for the four purposes therein enumerated of the loadings on the first year's premiums and the present value of the assumed mortality gains, as ascertained by 'the Select and Ultimate method of valuation as provided in section 84.' * * *

The statute taken as a whole requires the maintenance by all insurance companies doing business in this State of an adequate reserve and permits the dissolution of all such corporations whose reserves permanently fall below the required standard. The courts have held (*Boswell v. Security Mutual Life Insurance Co.*, 119 App. Div. 723), that the limitations of section 97 apply to each policy and each agent and the same rule would seem also to require a proper reserve as to each policy. It obviously was the legislative intent to strictly limit the expenditures of insurance companies securing new business and it would do violence to that intent to hold that the whole of the first year's premium could be used for such expenses, leaving nothing for the required reserves. Certainly this will be the result if the contentions of the objectors to your rulings were upheld.

I am of the opinion that the plain reading of sections 97 and 84 of the Insurance Law, having in mind the context of these statutes and the definition of the Select and Ultimate method above quoted, established the correctness of your rulings. * * *

(See Foreign Valuations, § 84, sub. 4.)

(See Op. A. G., Nov. 21, 1907; Jan. 27, 1908, for definition of "Select and Ultimate Method.")

Select and Ultimate Method not to be Applied to Reinsurance Contract

Policies issued under reinsurance contract between the Postal and Mutual Reserve Companies, not regarded as new business to which Select and Ultimate method may be applied.

(See Op. A. G., July 22, 1909; Sept. 13, 1909.)

Interpretation of the Language of Section 97 of the Insurance Law as Applied to Schedule "Q"

(See extract from an opinion of the Attorney-General, dated January 27, 1908, quoted under section 103, sub. 11b.)

(See also extract from letter dated October 23, 1908, from the Superintendent to Mr. J. H. Woodward, Auditor and Assistant Actuary, New York Office Insurance Department, State of New York, quoted under section 103, sub. 11b.)

(See also letter to the Travelers Insurance Company, dated April 29, 1908, § 103, sub. 11b.)

Expenses of State Examiners Not Limited by Section 97

Extract from letter dated February 4, 1910, from the Superintendent to the Postal Life Insurance Company.

"You ask to be advised 'whether expenses of the company's examination, incurred by your examiners in 1909, are chargeable in 'total expenses' for the Schedule 'Q' report, or are regarded as a tax or State requirement not to be included.'

I am of the opinion that the expenses in question are not such as are limited by the provisions of section 97 of the Insurance Law."

SUB. 4. AGENTS' COMMISSIONS*Traveling Expenses of Soliciting Agents Not Chargeable Against Margin Allowed for First Year Business*

Extract from letter dated August 10, 1906, from the Superintendent to The Germania Life Insurance Company.

"Traveling expenses paid to soliciting agents are not to be charged against the margin allowed for the expenses of first year's business, but form part of the expenses to be taken out of the actual loading on the total premiums received."

Immaterial Whether Contracts be Made with General Agents or with Sub-Agents so Long as Limitations of Section be Not Exceeded

Extract from letter dated January 14, 1907, from the Superintendent to the National Life Insurance Company.

"It is the intent of section 97 of the Insurance Law to limit the amounts that may be paid by life insurance companies for certain items of expense. So long as your Company keeps within the limitations of the section it is immaterial whether your contracts are made with general agents or direct with sub-agents."

Section Prohibits Payment to a Soliciting Agent of Any Sum of Money in Excess of the Limitation Therein Set Forth

Extract from letter dated August 20, 1907, from the Superintendent to Mr. Miles M. Dawson.

"You ask for a construction of that portion of section 97 of the Insurance Law which reads as follows:

'No domestic life insurance corporation shall in any calendar year after the year nineteen hundred and six expend or become liable for or permit any person, firm or corporation to expend on its behalf or under any agreement with it (1) for commissions on first year's premiums, (2) for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices, (3) for medical examinations and inspections of proposed risks, and (4) for advances to agents, an amount exceeding in the aggregate the total loadings upon the premiums for the first year of insurance received in said calendar year (calculated on the basis of the American Experience Table of Mortality with interest at the rate of three and one-half per centum per annum), and the present values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium, or instalment thereof, has been received during said calendar year, as ascertained by the Select and Ultimate method of valuation, as provided in section eighty-four of this chapter.'

I am of the opinion that this provision of the law prohibits the payment to a soliciting agent of any sum of money in excess of the limitation therein set forth."

Idem

Extract from letter dated August 28, 1907, from the Superintendent to The Manhattan Life Insurance Company.

"I am clearly of the opinion that any payment of commissions on first year's premiums in excess of the limitations of section 97 of the Insurance Law, which is made by this representative of your company to a soliciting agent, is prohibited by the section; and also that the company is prohibited from permitting such payment by its representative."

Limitation Applies to Each Part of the Agency Force and Successively to the Aggregate Sum Permitted to be Expended for New Business

Extract from letter dated September 26, 1907, from the Superintendent to Charles Jerome Edwards.

"In construing provisions of section 97 of the Insurance Law governing payments to agents of life insurance companies, the Department holds that their purpose is to prohibit payments to a soliciting agent in excess of the limitations therein set forth and that they are applicable to payments made for new business by

agents in their own behalf with or without the knowledge of the companies for which such new business is obtained. The company ultimately pays the cost incurred, which includes compensation for the agent or there would be no inducement for the latter to make advances. Whether effective or not in practice, the legislative intent was that no life insurance corporation nor agent thereof should expend or become liable for expenses in excess of the limitation prescribed.

The restrictions apply to expenditures by any individual agency, separately and by itself, irrespective of whether the aggregate expenditures of the company throughout all its agencies do or do not exceed the statutory limitation. Such limitation applies to each part of the agency force and successively to the aggregate sum permitted to be expended for new business by the several agencies of the company as a whole and does not afford an opportunity for defeating its declared purpose through a variety of contracts with different agents upon the hopeless assumption that an accurate regulation could be had thereunder and the total of disbursements restrained. An individual agent is prevented from expending moneys which may increase the total for new business beyond the limitation, although such expenditures are made by him from his own personal funds, on his own behalf, for his own profit and without agreement or expectation of specific reimbursement by the company. If the individual agent is not held to a personal responsibility the avenues for an evasion of the law are opened wide."

The Restrictions Apply to Expenditures by Each Individual Agent

Extract from letter dated June 29, 1909, from the Superintendent to the National Life Insurance Company.

"Your favor of the 25th inst. relating to the opinion of the Attorney-General, dated June 10, 1909, concerning the proper interpretation of section 97 of the Insurance Law, has been received.

Under date of September 26, 1907, in a letter addressed to Charles Jerome Edwards, Brooklyn, N. Y., the Superintendent gave a ruling in regard to payments to soliciting agents (a copy of this letter is enclosed herewith). Overruled by the

opinion of the Attorney-General dated December 28, 1908, its correctness is now confirmed by the Attorney-General's opinion of the 10th instant (copy enclosed), and I would advise you that following the advice contained in this opinion the Department will disregard the opinion of the deputy Attorney-General dated December 28, 1908, and be guided as to the proper interpretation of the section in question by the opinion of January 27, 1908."

Maximum Commission Need Not be Paid when Procuring New Business

Extract from a letter dated September 28, 1909, from the Superintendent to the Casualty Review Publishing Company.

"Section 97 of the Insurance Law fixes a limit beyond which a life insurance corporation may not lawfully go in its expenditures for the purpose of procuring new business. There is, however, nothing in the law which requires such a corporation to pay any certain part, or the whole, of the largest commission which may be found permissible under the section referred to."

Maximum Amount of Commission Fixed by Section 97

Extract from letter dated April 11, 1911, from the Superintendent to The California Timber & Development Company, Inc.

" * * * You state:

'Our company intends to sell to the public a participating bond or contract upon timber lands upon the installment plan. We intend to allow the purchaser of these bonds to take out an insurance policy in any first-class insurance company. Our company proposes to pay the premium upon this insurance for a term of years. We intend to take an assignment of the insurance policy, said assignment to be held until the purchaser of our bonds has paid all his instalments as per his contract. We then return the policy and cancel the assignment to the policy owner.'

In connection with this statement you ask several questions which I quote, following each one with its answer:

'First: Have we the right to pay for the life insurance policy and give it to the said purchaser without cost to him?'

Yes.

'Second: Have we the right to take an assignment of the said policy and hold the same until the full installments due our company have been paid?'

Yes.

'Third: Have we the right to make an agreement with an insurance agent, the said agent being a stockholder of our company, to give him all the business we possibly can, we having absolutely no connection with the insurance company, nor have we any, and we do not intend to have any agreement for any part of the agents' commissions?'

I know of nothing to prevent your company giving all its patronage to one insurance company or distributing it among many.

'Fourth: Has the agent of any insurance company that we are doing business with, the right to become a director of our company?'

Yes.

'Fifth: Does the law set any stated amount as a maximum that the insurance companies can pay to their agent as a commission, provided this agent has no other business than the agency of the insurance company excepting as to questions three and four as above?'

See copy of section 97 of the Insurance Law enclosed herewith.

'Sixth: Has our company the right to pick out any particular insurance company without the consent in advance of the insurer or the purchasers of our bonds, or must we consent to give the right to the purchaser to designate the company he wants to be insured in?'

Your company may or may not prescribe the insurance company to issue the policy or policies, as it sees fit."

Law Does Not Require Payment of Certain Commissions

Extract from letter dated June 21, 1911, from the Superintendent to the New York Life Insurance Company.

"* * * Enclosed herewith you will please find copy of section 97 of the Insurance Law which will advise you as to the limitations placed on the expenses of life insurance companies. The law does not require the payment of certain commissions, but does require that they be not exceeded."

Idem

Extract from letter dated May 28, 1913, from the Superintendent to the Illinois Life Insurance Company.

"Section 97 of the Insurance Law does not provide that life insurance corporations must pay a certain rate of commission,

new or renewal; it does place certain limitations upon commissions which may be paid on new and renewal premiums.

Commissions on Term Premiums

Extract from letter dated August 28, 1907, from the Superintendent to The Life Association of America.

"In connection with this matter I would call your attention to my letter of the 19th inst. addressed to Mr. Miles M. Dawson, a copy of which you will please find inclosed herewith. From this you will see that, in my opinion, 70 per cent. commissions on term premiums cannot be paid without exceeding the limitations of section 97 of the Insurance Law."

Policy Issued in Accordance with Privilege granted in Term Policy May be Considered "New Insurance," and First Year's Commissions and Nine Renewals May be Paid Thereon

Extract from letter dated June 9, 1908, from the Superintendent to The Washington Life Insurance Company.

"In your favor of the 6th inst. you write as follows:

'This company desires to write a 5-yr. non-renewable term policy under the standard policy form of the State of New York. If exchanged for an ordinary life, limited payment life or endowment policy after the first policy year and within five years from the date of issue, in accordance with the provision in said standard policy form, what commissions can this company pay to the agent who effects the change in question?'

I am of the opinion that the policy issued in accordance with the provision in said standard (term) policy form may be considered 'new insurance' and that on it you can pay a regular first year commission and allow nine renewals."

In re Commissions to Agents on Exchange of Term Policies for Participating Life or Endowment Insurance

Extract from letter dated Dec. 9, 1911, from the Superintendent to the Home Life Insurance Company, New York.

"* * * You state that:

'Prior to the passage of the laws restricting commissions to agents, we issued many policies of term insurance which contained a privilege to convert from date of issue into any form of life or endowment policy then being

issued by the company. This privilege was guaranteed by the policy contract in the following terms:

Exchange.—‘Upon written application by the insured with the legal surrender of this policy upon any anniversary of the date of its premium payment while in full force, the company will issue in lieu thereof without medical re-examination, either:

‘(a) a policy for a like amount upon any plan of participating life or endowment insurance then issued by the company on payment of the regular premium at the attained age of the insured; or,

‘(b) a policy for a like amount at the same age and date of issue as this policy, upon any plan of participating life or endowment insurance now issued by the company, on payment with interest of the difference in premium under this policy, and that required under the new policy.’

Under the foregoing clause (a), if a policy be changed to any form we *now* issue at attained age, we would understand that the commissions to agents must be those for which the premium on the new policy provides, that is, commissions coming within the limitations of the current New York laws, and with this view our agents seem to concur.

But in some few instances an agent collects the difference between the premium rates from the commencement as authorized in (b) above; and, on application by the insured, we are in such circumstances bound to issue a policy for a like amount dated back to the time when the original term policy was issued at the rates of premium which were then in use.

• We have had some difficulty in determining the rate of commission we can legally allow the agent on such an exchange and have heretofore limited the amount to the sum permissible under the new laws. Several agents claim they are entitled to the rate of commission they would have received prior to January 1, 1907, on the ground that the only difference is that part of the first premium was paid prior to 1907 and the other part in 1911. The question is only important as a matter of principle as the number of such changes is necessarily small; and we feel that the agents have some good grounds for their claim, since the change is made in accordance with the original policy contract and was doubtless contemplated at the time the term policy was written.

We shall be glad to know whether your Department would view the payment of commissions in such cases as a question which comes under the old contract with the agent, and which is not affected by the laws of 1906, limiting commissions on future new issues. Further, we should like to know whether any proportion of the “mortality gains” under the Select and Ultimate form of valuation can be used in Schedule Q as an offset against such expense; or *whether such cases should be excluded altogether from both the credits and expenses applicable to first year’s business.*’

I am of the opinion that for exchanges made under the foregoing clause (a), ‘the commissions to agents must be those for which the premium on the new policy provides, that is, commissions coming within the limitations of the current New York Laws;’ and that for exchanges made under the foregoing clause

(b), you can pay the difference in the commission and renewals from the date of the original policy as per contract and within the limitation of the law and 'such cases should be excluded altogether from both the credits and expenses applicable to first year's business.'"

Commission on Life Certificates Sold in Connection with Accident Policies

Extract from letter dated July 29, 1908, from the Superintendent to the
Ætna Life Insurance Company.

" You ask:

' Will you kindly advise whether the issue of these certificates and the continuation of the contract in subsequent years by the use of ordinary renewal receipts, with the payment of the same commissions which we allow to our different agents according to their accident contracts, will be permitted in New York State under the Laws existing there for the transaction of business of life insurance? '

To this my answer is in the affirmative, assuming that the expenditures on account of new business do not exceed the limitations set forth in section 97 of the Insurance Law of this State."

Issuing Insurance Policies Through Mail Order Houses Prohibited

Extract from letter dated February 19, 1909, from the Superintendent to the
Mutual Benefit Life Insurance Company.

" Your favor of the 9th inst. relating to a proposed scheme of issuing insurance policies through a mail order house, was received by due course of mail.

The scheme as stated by you is decidedly objectionable as it injects speculation into the business of selling life insurance and would subject many local agents of your company to unfair competition. Further, in my opinion, it would be a violation of the limitations of section 97 of the Insurance Law of this State."

**SUB. 5. COMPENSATION OF AGENT MUST BE DETERMINED IN
ADVANCE**

*Agent Employed on Commission not Entitled to Other
Compensation*

Extract from letter dated November 14, 1907, from the Superintendent to
Home Life Insurance Company.

“You state that:

‘We have for many years had great difficulty in securing a proper amount of business from the New England territory and it has been suggested that that territory could be best developed by the appointment of a salaried agency supervisor who should devote his energy to the development of that territory and have no commission interest whatever in the business under his supervision. . . .’

In this particular instance, it seems that the most desirable and economical arrangement which could be made would be to turn the supervision of that territory under the above arrangement over to a man who already represents us in the Greater New York department under a commission contract. The arrangement would then be that this gentleman would continue to develop Greater New York, his present territory, under his commission contract and would at the same time be agency supervisor of the New England territory on a salaried basis; the two departments would be absolutely and entirely distinct, although handled under these two different arrangements by one and the same man.’

Section 97 of the Insurance Law provides that:

‘No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance.’

I am of the opinion that in view of the foregoing provision you cannot legally make the suggested appointment.”

*Commissions Not to be Paid to Clerks Regularly Employed Under
Salary*

Extract from letter dated March 2, 1908, from the Superintendent to Mr. John
H. Robinson.

“You write as follows:

‘Kindly advise me if it is lawful for the management of a life insurance company to pay to a clerk, regularly employed in its offices, a commission equal to what is regularly paid to agents, or even a less commission, on a new policy issued on an application secured by the said clerk acting as agent? I assume that the limitation of expenses indicated in section 97 was intended

not only to afford protection to the policyholder against a lavish and uncalled-for expenditure of money, but also that the agent devoting his time to promoting and making successful the company's business should be afforded protection from the competition of others in the employ of his company who are paid a salary for services of an entirely different character.'

I am of opinion that the payment of commissions by a life insurance company to clerks regularly employed in its offices under salary for services of an entirely different character than those of an agent is contrary to the spirit of section 97 of the Insurance Law."

*Compensation May Not Exceed that Which Has Been Determined
In Advance*

Extract from letter dated July 29, 1908, from the Superintendent to the Washington Life Insurance Company.

"I am of the opinion that the provisions of section 97 of the Insurance Law governing payments for new business to agents of life insurance companies apply to the payments made for the new business procured by such agents. The restrictions apply to each agent separately and by himself, irrespective of whether the aggregate payments by the company to all its agents do or do not exceed the statutory limitations. The compensation of an agent may not exceed that which has been determined in advance; any increased or additional compensation based upon *the aggregate* of policies written or paid for is prohibited."

Idem

Extract from letter dated November 4, 1908, from the Superintendent to Fell & Fell.

"Your favor of the 29th ult. has been received.

The offer made in the second paragraph of your letter, dated October 15, 1908: 'Having made a saving *each month* during the first nine months of this year, we are going to pay out the accumulation on business written and paid for this month. This will make the commission from 17 per cent. to 22 per cent. higher than regular first year commissions,' is in conflict with that provision of section 97 of the Insurance Law which prohibits the pay-

ment to any agent, broker, etc., of 'any compensation other than that which has been determined in advance.'

You wish to be advised:

'If it is lawful for a company which makes a saving under the law of say \$150,000 on new business during the first nine months of the year to pay out that saving during the balance of year by increasing the commission to agents, provided the total expended in that year for new business is not in excess of the amount allowed by law.'

I am of the opinion that this may not lawfully be done. Such savings in expenses as a company might be able to make should inure to the benefit of the policyholders."

Increased Compensation May Not be Secured by Retroactive Contract

Extract from letter dated March 18, 1913, from the Superintendent to the Phoenix Mutual Life Insurance Company.

"You state:

'One of our agents desires an amendment to his contract affecting collection fees and other matters of compensation. We have agreed to the amendment, but he desires to have same made retroactive to bear date January first, 1908.'

In my opinion this would fall within the prohibition of section 97 of the Insurance Law relating to the payment of 'any compensation other than that which has been determined in advance.'"

Present Commissions May Be Paid to Salaried Clerks or Cashiers, if Determined in Advance, But Renewal Commissions May Not Be So Paid

Extract from Opinion of Department Counsel, dated March 17, 1909.

"Answering your request for an opinion on the question of whether or not it is lawful for life insurance companies to pay salaried clerks, or cashiers, present and renewal commissions for business secured by them, I beg to reply as follows: Upon an examination of sections 97 and 98 of the Insurance Law, I find that, although it seems to be decidedly against the spirit of the law, it is lawful for a life insurance company to pay a present commission to a clerk or other person, on salary with the com-

pany, who procures new business, provided the commission is determined in advance and that if it will exceed \$5,000 for any one year the contract for such commission is passed upon by the board of directors. It is not lawful, however, for such life insurance corporation to pay or agree to pay renewal commissions to such a salaried employee as a clerk, cashier or other person, as to do so would violate positive provisions of law."

Commission to Salaried Clerk on His Own Life Policy, a Rebate.

(See § 89, sub. 4.)

Life Insurance Company May Contract with Agent for Period Exceeding One Year

Extract from letter dated April 16, 1912, from the Superintendent to the Niagara Life Insurance Company.

" * * * You ask:

'Is it lawful for a life insurance company to make a contract with an agent for a longer period than one year, provided that the compensation be exclusively on a commission basis?'

To this my answer is yes."

SUB. 6. BONUSES, PRIZES AND REWARDS

Payment of Commissions to Agents Based on Amounts Under Kinds and Ages Resulting in Greater Rate on Policies of Large Amount Allowable

Extract from letter dated December 10, 1906, from the Superintendent to The Washington Life Insurance Company.

"Under date of the 7th inst. you write as follows:

'Where a company desires to pay commissions to agents upon a basis as shown in the inclosed agency contract, where a commission allowance is based upon amounts under kinds and ages, in accordance with the limits as provided by law, and where deduction is made of the actual medical examination fee, the result is that the rate of commission is greater on a policy of large amount than on a policy of small amount.'

You then refer to section 97 of the Insurance Law and ask:

'Is there anything in the Insurance Law forbidding such a plan where the actual limits as provided are not exceeded?'

To this my answer is no."

*Contracts by Which No Commission Shall Be Paid Unless Given
Amount of Business is Written, Allowed*

Extract from letter dated December 26, 1906, from the Superintendent to
John Hancock Mutual Life Insurance Company.

"The sentence in section 97 of the Insurance Law which you quote: 'All bonuses, prizes and rewards,' etc., prohibits the payment of 'increased or additional commissions' and should be read in connection with the sentence immediately preceding. It does not prohibit the making of a contract by which no commission shall be paid unless a given amount of business is written, always provided that the payments on account of commission be kept within the limitations of the law."

Additional Commission on First Year's Premiums Prohibited

Extract from letter dated June 3, 1908, from the Superintendent to
Mr. Allan Waters.

"Section 97 of the Insurance Law relating to the limitation of expenses of life insurance corporations provides that:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance. All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.'

I am of the opinion that this will not permit 'the drafting of a contract to provide that the agent shall receive 5 per cent. additional commission upon first annual premiums provided he secures a certain amount of paid-for business annually, providing the maximum commission comes within the provisions of the law.'"

*Additional Compensation Based on Volume of Business Not
Approved*

Extract from letter dated June 19, 1909, from the Superintendent to the
Germania Life Insurance Company.

"You write:

'One of our managers proposes that besides the regular scale of commissions and renewal commissions, the company allow him in lieu of all other

expenses connected with the management of his offices, i. e., office rent, clerk hire, traveling expenses, postage, exchange, telegrams, etc., a certain sum per annum, he guaranteeing to produce a certain volume of business.'

I would advise you that I could not approve such an arrangement as the above."

*Necessary Traveling Expenses of Agents May Be Paid Provided
Company Keeps Within Limitations of Section 97*

Extract from letter dated July 16, 1913, from the Superintendent to the
Manhattan Life Insurance Company.

"Under the provisions of section 97 of the Insurance Law, it is proper and lawful for a life insurance company to pay its agents either the whole or a part of their actual and necessary traveling expenses, either in the matter of procuring new business or in overseeing and protecting the company's old business, but the amount allowed to an agent for such actual and necessary traveling expenses must not be based upon the volume of any new or renewed business or the aggregate of policies written or paid for, and such expenditures for traveling expenses of agents must be so limited in amount that together with the other permissible payments the total expenditures for any calendar year shall not exceed the limitations prescribed by that section."

Payments to Agents Must be Made in Good Faith

Extract from letter, dated May 4, 1909, from the Superintendent to
Mr. H. W. Adama.

"Your favor of the 3d inst. relating to remuneration of life insurance agents, is received.

You have been advised that the proposed payments to agents must be 'paid in good faith.' When it is proposed that the payments be made simply to increase the emoluments of the agents, I am of the opinion that section 97 of the Insurance Law prohibits such payments."

*Prizes to Sub-Agent Based on Amount of Business Written
Prohibited*

Extract from letter dated July 27, 1910, from the Superintendent to the
Ætna Life Insurance Company.

"You write as follows:

'Suppose I, as a general agent, desire to stimulate my men to greater effort during the month of August by offering them prizes based upon a certain amount of business written and paid for, said prizes to be either cash or merchandise, would I by so doing violate the law? I understand full well that companies may not do this sort of thing, but it is not clear in my mind whether general agents, acting upon their own motion and without even the knowledge of their company, may make such offers as above indicated.'

The prohibitions of that portion of section 97 of the Insurance Law which you quote: 'All bonuses, prizes and rewards and all increased or additional commissions, or compensation of any sort, based upon the volume of any new or renewed business, or the aggregate of policies written or paid for, are prohibited,' are not limited but are general in their nature; the sentence should be read in connection with that which immediately precedes it."

*Managers in Various States May Not Contribute to General Fund
from Which Prizes Are to be Paid for "Largest Amount of
Business"*

Extract from letter dated October 17, 1910, from the Superintendent to the
Provident Savings Life Assurance Society.

"Your favor * * * relating to a suggestion that it would be unlawful under the New York law for your managers in various States to organize an association to contribute a general fund and offer prizes from such fund to managers or districts for the largest volume of business written was received. * * *

I am of the opinion that such a scheme would fall within the prohibition of section 97 of the Insurance Law."

Prizes Based on "Efficiency" May Not be Given

Extract from letter dated December 30, 1910, from the Superintendent to the
Phoenix Mutual Life Insurance Company.

"* * * You write as follows:

'Section 97 of the revised insurance law provides that 'all bonuses, prizes, and rewards * * * based upon the volume of any new or renewed busi-

ness, etc., are prohibited.' This office has for some period printed for the information of agents an 'honor roll' designed to show the names of such men as are producing business of any sort or amount during a given week. The published list has no reference whatever to the volume of production but attempts to signalize persistence of effort. In this connection we have thought of offering a prize to be divided at the end of the year, ~~not~~ based on the volume of business done by anybody but based upon the persistence of effort and continuity of purpose as evidenced by the weekly appearance of the agent's name as a producer independent of the volume of business secured by him, the aim of course, being to give a steadiness of production sometimes absent in the case of many field men.'

I am of the opinion that the giving of the proposed prize falls within the prohibition of the sentence incorrectly quoted by you."

Extra Commission Based on Amount of New Business Prohibited

Extract from letter, dated January 21, 1911, from the Superintendent to
The Northwestern Mutual Life Insurance Company.

"* * * You state:

'I would like to ask what your ruling is with reference to a portion of section 97 of the Insurance Law in regard to managers or general agents offering an extra commission in the way of a prize or a reward; for example, suppose I were to divide my agency force into two separate teams competing for business for the year 1911 with the understanding that the team paying for the largest amount of insurance during the year should receive 1 per cent. extra commission on all business paid for in the year, this commission in addition to their regular contract commission being less than the commission which I receive from the company upon the same business.'

I am of the opinion that this would be a violation of the provisions of section 97 of the Insurance Law * * *."

Salaries Based on Amount of New Business Secured Must be Charged to Cost of New Business

Extract from letter dated December 17, 1910, from the Superintendent to
Chief Examiner of Life Companies.

"Your favor of the 10th inst. with enclosures relating to the return as salaries, by life insurance companies, of compensation based on insurance effected by their agents, was received by due course of mail.

I am of the opinion that so-called 'salaries' based on the premiums or on the amount of new business issued, are commissions, and must be charged to the cost of new business."

*Payment of Traveling Expenses of Agent to a Convention
Prohibited*

Extract from letter dated January 3, 1907, from the Superintendent to
Phoenix Mutual Life Insurance Company.

"You ask:

'Would it be proper for a general agent to make a contract providing for a certain number or amount of renewal commissions upon the writing of a certain amount of insurance, and stipulating that failure to reach that amount would decrease the number or amount of the renewal commissions promised?'

To this my answer is yes, provided that the number and amount of the renewal commissions did not exceed the limitation of the section.

You also ask:

'If it is proper to make a contract allowing a certain amount of commissions provided a certain amount of insurance is written, would it also be perfectly proper for the company to offer to pay certain expenses, as, for instance, the traveling expenses of an agent to the annual convention of agents, provided a certain amount of insurance should be written?'

To this my answer is no, such payment comes within the prohibition of the section."

Graded Renewal Contract May Be Issued

Extract from letter dated April 17, 1907 from the Superintendent to Mr.
Theodore P. Berle.

"* * * You quote from section 97 of the Insurance Law the following clause:

'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited' and you ask to be advised 'whether in view of this paragraph or any other portion of section 97 of the new laws, the so-called graded renewal contract is legal in this State or can be made by any company in any other State, but which is doing business in New York State?'

I am of the opinion that such a contract is legal provided that the actual limitations of the section be not exceeded."

General Agents May Pay Railroad and Hotel Bills of Their Agents Attending Annual Meetings of the Company

Extract from letter dated December 19, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Company.

" * * * You write as follows:

'It is the custom of some of the general agents of the Northwestern Mutual Life Insurance Company to pay the railroad fares and hotel bills of their agents to the July annual meetings of the company at the home office, Milwaukee. Would it be contrary to the laws of this State if a general agent in this State were to offer to pay such expenses of the five, ten or fifteen of his agents making the largest percentage of increase over the first six months' business of the previous year?'

I am of the opinion that the temporary enjoyment of a reward of efficiency that brings no pecuniary return to an agent does not fall within the prohibition of section 97 of the Insurance Law."

Agent May Not be Compensated for Loss of Business While Attending Committee Meetings

Extract from letter, dated December 19, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Company.

" * * * You write:

'We have at this general agency an advisory committee of agents. The ten agents writing the largest amount of business year by year have constituted this committee. The attendance of the members of this committee at committee meetings results in some loss of time from soliciting, and such attendance is, therefore, more or less of a loss to each member of the committee. Is there anything in the insurance laws of this state that would prevent me as general agent paying a stated sum to each member of the advisory committee as a compensation for any loss of business that might ensue from his attendance at such meetings?'

Section 97 of the Insurance Law provides that:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance.'

*Officer May Insure His Life in Company, if No Rebate Granted
or Commission Paid*

(See letter dated December 3, 1906, from the Superintendent to Mr. Lathrop E. Baldwin, § 89, sub. 4.)

*Commissions and Brokerage to Agents on Policies on Their Own
Lives*

(See letters under § 89, sub. 4.)

Prize Systems and General Agency Trophies Prohibited

Extract from letter dated November 1, 1906.

" * * * That part of section 97 of the Insurance Law of this State, which reads as follows:

'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited:'

was enacted for the purpose of doing away with such 'prize systems' and 'general agency trophies' as you refer to.

By the provisions of said section 97, the expenses of life insurance companies are strictly limited and may not under any pretext be exceeded."

*Honor Rolls or Other Reward of Merit Involving No Pecuniary
Return to Agent Not Prohibited*

Extract from letter dated November 19, 1906, from the Superintendent to Phoenix Mutual Life Insurance Company.

"You write:

'I take it that the word 'reward' can mean only pecuniary recompense, and that honor rolls and the temporary enjoyment of reward of merit that brings no pecuniary return to the agent was not intended to be forbidden by law.'

I am of the opinion that 'honor rolls' are not forbidden by section 97 of the Insurance Law of this State, always provided that the limitations as to expenses be not exceeded."

Nylic for Agents Contract Not Within Prohibition

Nylic for agents contract made prior to 1906, not within the prohibition against bonuses, prizes and rewards.

(See Op. A. G., Dec. 28, 1906.)

Banquet to Agents Prohibited

Extract from letter dated October 17, 1907, from the Superintendent to Mr. L. W. Post.

"You desire to be advised 'if a superintendent or district manager of an industrial insurance company violates the Armstrong law by offering prizes or a banquet to members of his staff to accomplish certain work.'

Section 97 of the Insurance Law of this State provides that 'all bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.' This fully answers your question.

The section further provides that 'a foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the State.'"

Presents of Jewelry Prohibited

Extract from letter dated November 11, 1907, from the Superintendent to Mr. G. E. Smith.

"You write as follows:

'Two of the assistant superintendents of the staff of this district have in their possession some articles of jewelry, possessing no great value, which they desire to present to some of the members of their staff in recognition of services performed in the past, and we would ask if this would in any manner conflict with the recent insurance laws passed by the Legislature of this State.'

Section 97 of the Insurance Law provides as follows:

'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or

renewed business or the aggregate of policies written or paid for, are prohibited.'

I am of the opinion that the proposed action of your assistants would come within the prohibition of the section."

Gifts for Services Prohibited

Extract from letter dated January 24, 1910, from the Superintendent to Dow, Behm & Company.

"In your letter * * * you write as follows:

'* * * It has been the custom of the writer to secure a great many references and introductions from his old policyholders and usually a box of cigars or some similar acknowledgment of the favor received has been appreciated by a policyholder quite beyond the value of the expression of appreciation. Aside from this, we frequently receive from our policyholders a letter stating that they have a relative or friend who wants to take out some insurance, and asking if there is anything in it for them. What kind of a reply can we make to such an inquiry? * * * It is not a question of their soliciting insurance, or their being part-time men, or anything of the kind, it is merely sending us information that might result in our securing business.'

Such services as these you refer to may well be considered to be such as are referred to in the law."

Gifts of Money Prohibited

Extract from letter dated May 4, 1911, from the Superintendent to the Phoenix Mutual Life Insurance Company.

"* * * You ask:

'Would it be a contravention of section 97 of the Armstrong Law, to offer any sum, say \$5.00, provided the agent writes business for say 10 consecutive weeks, or writes business for 10 consecutive weeks and remits with the application the net for the premium?'

It would be a violation of that provision of section 97 of the Insurance Law which reads as follows:

'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.'

Gift of Button Allowed

Extract from letter dated April 28, 1911, from the Superintendent to the Metropolitan Life Insurance Co.

“ You ask :

‘ Is it objectionable under section 97 to award a button of trifling cost to agents who write a certain amount of Ordinary business within a year? Or to make them members of a club under a denomination indicating the amount of business written, membership in the club to involve only public mention, the award of a certificate and the giving of a button or pin of no intrinsic value and small cost? ’

To this my answer is no.”

(See also § 91.)

Prize Contests Among Agents, Awards To Be Paid For By Agents, Not Prohibited.

Extract from letter dated July 8, 1914, from the Superintendent to the John Hancock Mutual Life Insurance Company.

“ Your favor of * * *, in relation to that provision of section 97 of the Insurance Law which under certain conditions permits the giving of awards in a contest among life insurance agents, has been received.

You state:

‘ I note under the above mentioned section in one of the paragraphs of the same it says: “ Nothing herein contained is to be construed as prohibiting the institution of contests or competitions among agents, and the recognition of success in such competitions by the awarding of ribbon decorations, medals, pins, buttons or other tokens of small intrinsic value, given not as compensation, but as a bona fide recognition of merit.” In further reference to this part of said section, I would kindly request you to advise me if it will meet with the requirements of the Insurance Law to permit two or three of my enthusiastic agents to personally put up tokens of award in a contest among agents. The agents offering these awards are doing so of their own free will, and willing to bear the expense of the same.’

Provided these ‘ tokens of award ’ are ‘ tokens of small intrinsic value, given not as compensation, but as a bona fide recognition of merit,’ there can be no objection to the proposed action of the agents to whom you refer.”

SUB. 7. RENEWAL COMMISSIONS

*Company Cannot Take Credit for Loading of Premium in 1907
Not Due Until 1908 and Pay Corresponding Commission in
1907*

Extract from letter dated April 3, 1907, from the Superintendent to Home
Life Insurance Company.

"Your favor of the 28th ult., in further reference to 'the payment of renewal commissions on premiums received in advance,' has been received.

You cite the following practical example:

'A premium received in 1907 which is not due until 1908; the question is, can the company take credit for the loading of this premium and pay the corresponding commission in 1907.'

I am of the opinion that this cannot be done."

*No Portion of Renewal Commissions Shall be Added to First
Year Commissions*

Extract from letter dated July 13, 1907, from the Superintendent to
Mr. Leo Stein.

"There is no provision in section 97 of the Insurance Law which permits a life insurance company, 'to make a contract with an agent whereby any portion of renewal commission may be applied toward the payment of commissions earned during the first year of the policy and in addition to ordinary full first year commissions.'"

Renewal Commission Clause Approved

Extract from letter dated August 27, 1907, from the Superintendent to
Mr. C. M. Brown.

"You submit for consideration the following clause which you may desire to embody in your agency contracts:

'Renewal Commissions.

Providing this contract remains in full force and effect and that the party of the second part does not procure less than a year from date hereof, in new paid life insurance business, then on all plans of insurance, except those which provide for no renewal commissions, there shall be payable to said party of the second part the following commissions:

..... % of the premiums, etc.....
.....

It being, however, understood and agreed that failure of the party of the second part in any particular year to furnish said \$. in new paid business shall only affect his renewal commissions on the business done during that year and shall not be operative as to the business done in the years in which the \$. quota of new business is furnished.'

I am of the opinion that there is nothing in the Insurance Law 'which would prevent a company from making a contract containing such clause,' provided the limitations of section 97 be not exceeded."

New Policy Issued in Accordance With Privilege Granted in Term Policy is New Insurance and Difference in Commission and Nine Renewals Can be Paid Thereon

Extract from letter dated February 21, 1908, from the Superintendent to John Hancock Mutual Life Insurance Company.

"You write as follows:

'We have a request to change a term policy issued in 1907 to another form, in accordance with the privilege granted in the policy, the new policy to date from the present time. In former times our custom was to make the change allowing the agent a commission according to the contract rate on the new policy for the difference in premium due under the new policy and that paid on the term policy and it would then run along as renewal business. We would like to ascertain if, under the new limitation of expenses under the New York law, this should be considered as new insurance and we can pay the difference in the commission and allow nine renewals on this new policy, or whether it must be treated as old insurance and in this particular case while paying the excess of commission due under the new policy on this form only pay the nine renewals from the date of the original policy.'

I am of the opinion that a policy issued 'in accordance with the privilege granted in the (term) policy' and not in a form therein set forth as a continuation of such contract, should be considered as 'new insurance' and that on it you can pay the difference in the commission and allow nine renewals."

Payment of Maximum Commissions not Required

Extract from letter dated December 18, 1909, from the Superintendent to Austin P. H. Mullarky.

"Your favor of the 11th inst., relating to contracts between managers and agents of life insurance companies, is received. Section 97 of the Insurance Law places certain limitations upon commissions which may be paid on new and renewal premiums;

it does not require that the full amount allowable by law as commission on renewal premiums shall be paid in each and every case where a renewal commission may be due."

*Collection Fee of 3% Cannot be Paid on Premiums on Which
Renewal Commissions Are Paid, to Agent*

Extract from letter dated February 1, 1911, from the Superintendent to the
Fidelity Mutual Life Insurance Company.

"* * * You write:

'Kindly advise us whether or not under your interpretation of section 97 of the New York Insurance Laws, known as the Limitation of Expense Section, the company can in addition to the renewal commissions therein provided for the first fourteen policy years allow the agent a collection fee not exceeding 3% of all premiums collected by him in his territory including premiums on which such renewal commissions are paid to such agent.'

I am of the opinion that you cannot legally pay a collection fee of 3% on 'premiums on which such renewal commissions are paid to such agent.'"

*Company May Pay First Year and Renewal Commissions on
Differences in Premiums*

Extract from letter dated July 1, 1911, from the Superintendent to the
Union Mutual Life Insurance Company.

"* * * From a letter from one of your State agents, you quote as follows:

'There is one thing I would like to bring up in connection with the convertible term and that is the commission allowed on conversion. I find that, without exception, the various general agents and managers to whom I have spoken, say that their companies allow them the first year's commission on the difference between the term rate and the convertible rate for the first year as well as the renewal commission on the difference in renewals.'

I am of the opinion that your company may pay first year and renewal commissions upon such differences in premiums."

*Payment of Commissions on Renewal Premiums not Limited to
Those Agents Who Secured the Business*

Ruling of December 31, 1909.

"Section 97 of the law does not limit the payment of commissions on renewal premiums to those agents who secured the business."

Renewal Commissions to Sub-Agent Based on Amount of Business Written Allowed

Extract from letter dated October 25, 1906, from the Superintendent to Massachusetts Mutual Life Insurance Company.

"The sentence in section 97 of the Insurance Law which you quote, 'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited,' is to be read in connection with the sentence which immediately precedes it. I am of the opinion that read in this connection or by itself alone it does not prohibit a general agent from making a contract with a sub-agent by which 'no renewals shall be allowed unless a given amount of business is written by the sub-agent within a year.'"

Renewal Contracts With Sub-Agents

Extract from letter dated May 13, 1910, from the Superintendent to the Prudential Insurance Company of America.

"You quote from an opinion given by this Department to the Massachusetts Mutual Life Insurance Company under date of Oct. 25, 1906, and add:

'I understand that this correctly expresses the attitude of your Department in connection with the matter therein referred to. Will you kindly advise me first, whether, in your opinion, a company would be justified in guaranteeing to a sub-agent the renewals provided for under a contract similar to that above referred to made by him with a general agent and, second, whether a company which, by the terms of its contract with its general agent, reserves the right to carry out a contract with a sub-agent would be justified in carrying out a contract containing such a provision in relation to renewals?'

To your first question my answer is no. To your second question my answer is yes."

Renewal Commissions to Sub-Agents Based on Amount of Business Prohibited

Extract from letter dated December 27, 1910, from the Superintendent to The Travelers Insurance Company.

"* * * You state:

'I am thinking of making a contract with a sub-agent, allowing him on life insurance first year's commissions and renewals at 5%, the number of

which renewals will be governed by the amount of insurance he pays for in his contract year. For instance 5% if he pays for \$25,000 business; two 5's if he pays for \$50,000; three 5's if he pays for \$75,000; four 5's if he pays for \$100,000, and so on up to eight renewals at 5% for \$200,000 of paid business in a contract year. Please inform me if there is anything illegal in such a contract.'

Section 97 of the Insurance Law provides that 'All bonuses, prizes and rewards and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.' "

Renewal Contract of Special Agent With Manager Allowed

Extract from letter dated July 27, 1910, from the Superintendent to the Prudential Insurance Company of America.

" You ask:

'Will you kindly advise whether there is anything in the New York law prohibiting companies endorsing the contract of a special agent with a manager to guarantee carrying out the renewal agreement if same is conditional on the amount of business written, or otherwise?'

I would advise you that I know of no provision in the Insurance Law which would prohibit the making of such a contract, providing the limitations of section 97 be not exceeded."

Licensed Clerk May Receive Renewal Commissions

Extract from letter dated May 24, 1911, from the Superintendent to the Home Life Insurance Company.

" * * * You state:

'Several of our clerks here at the home office have licenses for writing life insurance, and devote some of their evening time to the procuring of business. So far we have refrained from making any renewal contract with these clerks, their compensation having been limited entirely to first year commissions. Now it seems to us desirable occasionally to give a clerk a right to renewal commissions for a term of years on business he may solicit and we shall be glad to know whether this practice is permissible under the law, and under the rulings of your department.'

As these clerks have licenses for writing life insurance it would seem that their compensation therefor should be fixed by your company, bearing in mind the limitations of section 97 of the Insurance Law."

Life Insurance Company May Purchase Renewals

Extract from letter dated October 30, 1906, from the Superintendent to The Germania Life Insurance Company.

"I know of nothing in the Insurance Law which prohibits a life insurance company from purchasing renewals. The Attorney-General has taken the general position that the new provisions of the Insurance Law would not and could not affect contracts previously lawfully entered into and as to which there was no power of alteration or revocation reserved, at any rate."

Idem

Extract from letter dated November 26, 1906, from the Superintendent to The Penn Mutual Life Insurance Company.

"There is nothing in the Insurance Law of this State which prohibits a life insurance company from purchasing renewals, either at the present time or after January 1, 1907."

Idem

Extract from letter dated September 16, 1908, from the Superintendent to The Penn Mutual Life Insurance Company.

"If the proposition to which you refer is made in good faith by an agent desirous of severing his relations with your Company, I am of the opinion that the purchase may be made provided the limitations of section 97 of the Insurance Law of the State of New York be not exceeded. If, however, it be proposed as a method of commuting renewals, it would fall within the prohibition of the statute."

Net Renewal Commissions May be Purchased of Agent Who Has Severed His Relations With Company, Provided Amount Does Not Exceed Limitations of the Law

Extract from letter dated March 27, 1911, from the Superintendent to Aetna Life Insurance Company.

"* * * You state:

'Our contracts with certain of our agents involve the payment to them (or their estates), in event of the termination of their contracts, of certain net renewal commissions during several years thereafter. Where the agent's

active connection with the company has ceased (by death or otherwise) it has in some cases appeared to be desirable to all parties concerned for the company to purchase in one sum the renewal commission interest referred to. Kindly advise us whether there is any provision in the New York State law which would prohibit such a purchase provided the total amount so paid is within the limitations of section 97 of said law.'

I am of the opinion that there is no provision in the New York State law which would prohibit such a purchase, provided the total amount so paid is within the limitations of section 97 of said law."

Expense of Collecting Renewals May be Charged to Estate of Deceased Agent

Extract from letter dated March 4, 1911, from the Superintendent to the Citizens Savings Bank Building.

" * * * You state:

'My opinion has been asked respecting a contract between a life insurance company duly licensed in New York, and an important agent which provides for nine 7½ per cent. renewal commissions. In case of the death of the agent, the commissions as they accrue are payable to his estate. This agent collects the renewal premiums. His death would necessitate the collections by some other means. This probably would involve some collection expense. The question about which I am in doubt is whether section 97 of the New York law would prohibit the company incurring any expense, bank exchange or otherwise, in collecting renewal premiums if it had so obligated itself to pay the estate of the deceased agent the 7½ per cent. commissions.'

Under the conditions stated, I am of the opinion that the cost of the collections should be made a charge against the renewals to be paid to the estate."

Idem

Extract from letter dated September 29, 1911, from the Superintendent to the National Life Insurance Company.

"By due course of mail there has been received your favor of the 22d inst. making inquiry in relation to 'a contract with a new General Agent, such contract embodying the following conditions:

(1) Provision for the payment to said agent of first and renewal commissions on such business as he may produce within the limits of section 97;

(2) Provision for the payment to said agent of a stipulated salary as compensation for the specific service of collecting old renewals (in which renewals the said agent has no commission interest) as follows:

(a) A portion of said old renewals, representing business written by a former agent prior to January 1, 1907;

(b) A portion of said renewals representing business written by a former agent since January 1, 1907, and upon which renewals the company stands pledged to the payment to the estate of a former agent, deceased, of the balance of a full nine year renewal commission at 7½% and five additional years at 5% without deduction.'

You state:

'The intent of this inquiry being to determine:

First: Whether there is anything in the New York law that prohibits a company from paying an agent or collector for his services in collecting premiums on business written since January 1, 1907, which premiums are already subject to contractual commission payment to a former agent, or to his estate, for the full term of fourteen years after the first year of insurance.

Second: Whether the payment of a salary to a new agent for the specific purpose of collecting old business would operate to reduce by one-third the renewals upon such new business as such new agent might produce.'

In connection with your first inquiry would state that while I have no knowledge of the date of the contract or contracts with your 'former agent,' I would call your attention to the following extract from the opinion of the Attorney-General, bearing date June 10, 1909:

"The opinion of the Attorney-General under date of January 27, 1908, under the decision of the Appellate Division, Third Department, in *Boswell v. Security Mutual Life Insurance Company*, 119 App. Div. 723, held that section 97 was not a limitation of the aggregate expenditure which could be made by life insurance companies but applied to each particular agent and limited the amount which could be paid to him to a certain proportion of the first premiums received by him.

The Court of Appeals reversed the decision of the Appellate Division in December, 1908 (193 N. Y. 465) and in view of this decision and at the request of the Superintendent of Insurance, the Deputy Attorney-General in charge rendered the opinion of December 28, 1908, to which you refer. In this opinion he referred to the reversal of the *Boswell* case by the Court of Appeals, and then stated 'in the absence of a controlling judicial interpretation to the contrary, it is my opinion that the plain reading of this limitation applies to aggregate expenses of the corporation for the purposes specified.'

I have carefully examined these two decisions and am convinced that when the opinion of December 28, 1908, was written the deputy in charge could not have had before him a copy of the opinion of the Court of Appeals. From an examination of that opinion, it is clear that the Court of Appeals does not pass upon the interpretation of section 97 made by the Appellate Division. Its decision is merely that this section has no application to contracts with agents entered into before its enactment. The discussion of

the opinion is entirely confined to this question and the holding is made that section 97 is prospective rather than retrospective. Furthermore, although the interpretation of the Appellate Division is not expressly considered, the court, by implication, adopts that interpretation because the main ground upon which it holds that the statute must be regarded as prospective is that otherwise it would impair the obligation of contracts entered into before its passage. It is obvious that if the section had application only to an aggregate limitation, it would not necessarily prevent the payment of more than the statutory appropriation to any one agent. So long as the aggregate expenditures were not in excess of the aggregate appropriations on new premiums allowed to be used by the statute, there would be no violation of the law even if in individual instances agents received more than this allowance, computed on their own new policies, would produce. It is clear, therefore, that the Court of Appeals did not in any way modify the interpretation of section 97 adopted by the Appellate Division, and that, on the contrary, it gave such interpretation its implied sanction.

I, therefore, advise you to disregard the opinion of the Deputy Attorney-General dated December 28, 1908, and to be guided as to the proper interpretation of this law by the opinion of January 27, 1908, setting forth the decision of the Appellate Division in this case.

I also advise you that under the decision of the Court of Appeals this section is to have no effect whatever upon contracts with agents entered into before its passage."

In contracts entered into after the passage of the so-called "Armstrong Laws" the company should have protected itself against the possibility of having to pay costs of collection, through salary or otherwise, in addition to renewal commissions which include payment for cost of collection. In connection with this I would call your attention to the enclosed copy of a letter dated March 4, 1911, from the Superintendent to Mr. A. I. Vorys, Columbus, Ohio, in relation to a contract such as that you mention.

"Your favor of the 1st inst., has been received. You state: My opinion has been asked respecting a contract between a life insurance company duly licensed in New York, and an important agent which provides for nine 7½ per cent. renewal commissions. In case of the death of the agent, the commissions as they accrue are payable to his estate. This agent collects the renewal premiums. His death would necessitate the collections by some other means. This probably would involve some collection expense. The question about which I am in doubt is whether section 97 of the New York law would prohibit the company incurring any expense — bank exchange or otherwise — in collecting renewal premiums if it had so obligated itself to pay the estate of the deceased agent the 7½ per cent. commissions.

Under the conditions stated, I am of the opinion, that the cost of the collections should be made a charge against the renewals to be paid to the estate."

As to your second inquiry; holding that you may not pay cost of collection in addition to renewal commissions, it is hardly necessary to add that this can not be evaded by reducing other commissions lawfully payable."

*Renewal Commission Amendments Passed in 1909, Take Effect
May 7, 1909*

Extract from letter dated May 14, 1909, from the Superintendent to
Mr. Charles L. Behm.

"You ask to be advised 'whether the law relative to renewal commissions paid to agents and collection fees does not permit the company to pay these additional commissions on all business written since January 1, 1907, when the Armstrong Law went into effect.'

I am of the opinion that the amendments to section 97 of the Insurance Law which took effect May 7, 1909, 'permit the company to pay these additional commissions on all business written since' that date only."

Idem

Extract from letter dated May 18, 1909, from the Superintendent to the
Berkshire Life Insurance Company.

"You write as follows:

'As we are anxious to give our general agents the benefit of the revisions in the life insurance laws of New York, I would thank you if you would kindly tell me the date upon which these laws took effect. Could the additional renewals from the 11th to the 15th year under the law be applied to all business written under the Armstrong Law since January 1, 1907; or does it apply only from the date on which the law took effect?'

The amendments to section 97 of the Insurance Law allowing the additional renewals to which you refer apply only to business written on and after May 7, 1909, the day on which they took effect."

*Amendments of 1909, Allowing Additional Renewal Commissions
not Retroactive*

Extract from letter dated June 26, 1909, from the Superintendent to The
Penn Mutual Life Insurance Company.

"I am clearly of the opinion that the amendment to section 97 of the Insurance Law increasing the number of renewal commis-

sions which may be paid to agents is not retroactive; this amendment was contained in chapter 301 of the Laws of 1909, which took effect May 7, 1909, and applies only to business written on and after that date under agency contracts entered into on and after said date."

Amendment Increasing Number of Renewals, Not Retroactive to May 7, 1909

Extract from letter dated February 14, 1911, from the Superintendent to The Fidelity Mutual Life Insurance Company.

"Your favor of the 10th inst., referring to the amendment to section 97 of the Insurance Law, increasing number of renewals that may be paid to agents, was received * * *. You ask: 'Is the amendment to section 97 retroactive to May 7, 1909?'

To this my answer is no."

SUB. 8. COMMUTATION OF RENEWAL COMMISSIONS

Company May Not Commute Renewal Commissions and Add Commuted Amount to Commissions on First Year's Premiums

Extract from letter dated September 21, 1906, from the Superintendent to Mr. Frederick A. Savage.

"There is no provision in section 97 of the Insurance Law which permits a life insurance company to commute renewal commissions and add the commuted amount to commissions on first year's premiums."

Commuted Commissions Cannot be Added to First Year Commissions

Extract from letter dated January 2, 1907, from the Superintendent to the Bankers Life Insurance Company.

"* * * There is no provision in section 97 of the Insurance Law which permits a life insurance company to commute renewal commissions and add the first payment to the first year's commission."

No Gross Payment in Lieu of Renewal Commissions

Extract from letter dated December 13, 1906, from the Superintendent to Mr. Lathrop E. Baldwin.

" * * * You quote from section 97 of the Insurance Law the provisions relating to the commutation of renewal commissions and ask:

'Under such clause of law, can a company pay as brokerage, no further commission compensation *on case* to be received by agent, a lumped sum of the first year's commission allowed by law and at same time two renewal commissions of $7\frac{1}{2}$ per cent. each, making gross payment on first year of first year's commission and 15 per cent.'

In reply, would state that I am of the opinion that such a gross payment would not be in accordance with the law. * * *

Commuted Renewal Commissions are Payable only from Renewal Premiums

Extract from letter dated July 8, 1909, from the Superintendent to Mr. Charles S. Fowler, Second Deputy Superintendent of Insurance.

"You state that 'the first payment of renewal commissions is paid the first year of the policy in addition to the commission for the first year' and ask for a ruling as to the propriety of these payments.

There is no provision of section 97 of the Insurance Law which permits a life insurance company to add the first payment of renewal commissions to the first year's commission."

Commutation including Collection Fee Approved

Extract from letter dated October 30, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"You state:

"In the table already alluded to, which was submitted to you under date of September 11, we did not take advantage of the full present value of commissions running over a period of nine years and we now desire to submit a supplemental table which includes the present value of a collection fee of 2 per cent. in the four years following the last year in which we propose to pay a renewal commission of 10 per cent.

"It will be seen that in each case the present value on a $3\frac{1}{2}$ per cent. basis of a renewal commission of 10 per cent. for five years and a 2 per cent. collection fee for the remaining four years is less than the present value

of renewal commissions of $7\frac{1}{2}$ per cent. for nine years and we beg to ask for your approval of our proposal to pay a collection fee of 2 per cent. from the seventh to the tenth year inclusive.'

Your proposal to pay a collection fee as aforesaid has my approval."

Rates for Commuting, When Approved

Extract from letter dated October 23, 1906, from the Superintendent to The Western Underwriter.

"Approval of a proposed rate for commuting renewal commissions, or an opinion as to its fairness, can only be given when some company makes application accompanied by a schedule showing the figures upon which the application is based."

Proposed Rate of Commutation Approved

Extract from letter dated September 17, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Your proposal to pay 10 per cent. renewal commissions for five years upon certain of your policy issues, instead of $7\frac{1}{2}$ per cent. for nine years as provided in section 97 of the Insurance Law, has my approval."

(See also letter, dated October 30, 1906, from the Superintendent to Metropolitan Life Insurance Company, above.)

Idem

Extract from letter dated October 11, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your proposal to pay 15 per cent. renewal commissions for three years upon certain of your policy issues instead of $7\frac{1}{2}$ per cent. for nine years and to pay 10 per cent. renewal commissions for three years upon certain other policies instead of 5 per cent. for nine years, as provided in section 97 of the Insurance Law, has my approval."

Idem

Extract from letter dated November 14, 1906, from the Superintendent to the New York Life Insurance Company.

"Your proposal is:

'In an agency district subject to the supervision of a local salaried representative to pay on 10 and 15-year endowment policies a renewal commission

of 6 per cent. for four years, or 5 per cent. for five years, in lieu of the 3½ per cent. for nine years allowed by section 97 of the Insurance Law.'

This has my approval."

Idem

Extract from letter dated November 26, 1906, from the Superintendent to The Prudential Insurance Company.

"In certain cases in districts where you have local supervising representatives, you propose to 'pay five renewal commissions of 5 per cent. each on ten and fifteen-year endowments, instead of nine renewals of 3½ per cent. each.'

This has my approval."

Idem

Extract from letter dated January 3, 1907, from the Superintendent to the Equitable Life Assurance Society.

"Your proposals to pay 15 per cent. for three years in lieu of 7½ per cent. for nine years and to pay 10 per cent. for five years and 2 per cent. collection fees for four years in lieu of 7½ per cent. for nine years, have my approval."

Idem

Extract from letter dated March 20, 1907, from the Superintendent to the New York Life Insurance Company.

"You state:

'We desire to have your authority for paying the following in lieu of nine renewal commissions of 5 per cent. each on the ordinary life, limited payment life, and endowments paid by twenty or more premiums, and in lieu of nine renewal commissions of 3 per cent. each on 10 and 15-year endowments:

PLAN	RENEWAL COMMISSIONS		
	2d year	3d year	4th year
Ordinary life	12%	12%	6%
Limited payment life.....	12	12	6
Endowments paid by 20 or more annual premiums	12	12	6
Ten and 15-year endowments.....	8	8	4

Enclosed are sheets showing our calculations, based upon our mortality and lapse rates.'

The proposed rates have my approval."

Idem

Extract from letter dated April 18, 1907, from the Superintendent to the Mutual Life Insurance Company.

"Your proposal to pay two renewals of 9 per cent. and seven renewals of $2\frac{1}{2}$ per cent. in lieu of nine renewals of 5 per cent. has my approval."

Idem

Extract from letter dated December 22, 1908, from the Superintendent to the Metropolitan Life Insurance Company.

"I am in receipt of your favor of the 21st inst., reading as follows:

'Under date of October 26, 1906, we submitted for your consideration a table based upon mortality and lapse rates for the purpose of securing your approval to our proposition to commute nine renewal commissions of $7\frac{1}{2}$ per cent. to five renewals of 10 per cent. with 2 per cent. collection fee for the remaining four years.

We now beg to submit for your approval our proposition to pay two renewals of 15 per cent. each, one of 10 per cent. and 2 per cent. during the remaining six years; and also a table of commuted values which shows that the present value of these commissions is less than the present value of nine renewals of $7\frac{1}{2}$ per cent. each.'

Your proposal 'to pay two renewals of 15 per cent. each, one of 10 per cent. and 2 per cent. during the remaining six years,' has my approval."

Idem

Extract from letter dated February 13, 1909, from the Deputy and Acting Superintendent to the Home Life Insurance Company.

"Your proposal to commute commissions on the following scales: (1) 14 per cent. the first year, 12 per cent. the second year and 10 per cent. the third year; or (2) three commissions of 12 per cent. each, in lieu of nine renewals of $7\frac{1}{2}$ per cent. each, has my approval."

Idem

Extract from letter dated February 13, 1909, from the Deputy and Acting Superintendent to the Manhattan Life Insurance Company.

"Your proposal to commute nine renewals of $7\frac{1}{2}$ per cent. to three renewals of 15 per cent., and to commute nine renewals of 5 per cent. to three renewals of 10 per cent., has my approval."

Idem

Extract from letter dated June 29, 1909, from the Superintendent to the Phoenix Mutual Life Insurance Company.

"You write:

'In lieu of the nine $7\frac{1}{2}$ per cent. and five 5 per cent. renewals I would request one 12 per cent. renewal, eight $7\frac{1}{2}$ per cent. renewals and five 2 per cent. renewals, and in lieu of such commutation the company would like to employ also the alternative commutation of two 10 per cent. renewals, seven $7\frac{1}{2}$ per cent. renewals and five 2 per cent. renewals.

On premiums under which the company is allowed to pay fourteen 5 per cent. renewals we would respectfully request the privilege of paying one $9\frac{1}{2}$ per cent. renewal, eight 5 per cent. renewals and five 2 per cent. renewals, and in lieu thereof the company would like to employ also the commutation of two $7\frac{1}{2}$ per cent. renewals, seven 5 per cent. renewals and five 2 per cent. renewals.'

The rates for commutation stated above have my approval."

Idem

Extract from letter dated August 17, 1912, from the Superintendent to the Massachusetts Mutual Life Insurance Company.

"You state:

'We have in contemplation a change in our agents' contract whereby in lieu of a 5 per cent. commission on the eleventh to the fifteenth premiums, both inclusive, we shall grant an extra commission of 5 per cent. on the second premium, or an extra commission of $2\frac{1}{2}$ per cent. on both the second and third premiums. We assume that such an arrangement will meet with your approval, as we understand that several companies have now in force an arrangement of this nature.'

The proposed commutation is approved, provided the general limitation of the section be not exceeded."

Idem

Extract from letter dated December 6, 1912, from the Superintendent to the Mutual Life Insurance Company.

"You refer to certain rates of commutation of renewal commissions approved by the Superintendent under date of March 30, 1907, and state that 'Thereafter, the law was amended authorizing companies to pay five additional renewal commissions of $3\frac{1}{8}$ per cent. each on the renewal premiums of the tenth to the fourteenth years, respectively. In lieu of these five additional renewal

commissions, we wish your authority to pay five renewal commissions of 1 per cent. each on the renewal premiums of the second to the sixth years.'

Your proposal to pay additional renewal commissions of 1 per cent. each on the first to the fifth renewal premiums, in lieu of the renewal commissions of $3\frac{1}{3}$ per cent each authorized by the law on the tenth to the fourteenth renewal premiums has my approval."

Approval not Required for Commutation Less than Rate Already Approved

Extract from letter dated March 20, 1909, from the Superintendent to the John Hancock Mutual Life Insurance Company.

"I am of the opinion that the clause in section 97 of the Insurance Law which you quote: 'Provided that an amount found to be equivalent to the aggregate amount so payable upon a fair commutation approved by the Superintendent of Insurance and based upon mortality and lapse rates may be distributed through three or more years but not more than two-fifths of such amount shall be payable for any one year,' does not require the approval of the Superintendent in those individual cases where the amounts proposed to be paid are less than those that might be paid under a ruling of the Superintendent, previously given in relation to commuting renewal commissions."

Rule of Two-Fifths, How Applied

Extract from letter dated April 14, 1909, from the Superintendent to the Home Life Insurance Company.

"Your favor of the 9th inst. referring to my letter of February 13, 1909, approving the commutation of commissions proposed by your Mr. Marshall, has been received.

You state that one of your general agents wishes to have the privilege of paying to his sub-agents three commuted renewal commissions well within the permission of February 13th, and add that a question has been raised as to whether the phrase in section 97 of the Insurance Law, 'but not more than two-fifths of such amount shall be payable for any one year,' can be held to apply to the case in question, since the first commuted renewal

is more than two-fifths of the total of the three renewal commissions which your general agent proposes to pay to his sub-agent.

I am of the opinion that the words quoted apply to the maximum commuted renewal commission approved on February 13, 1909, and that your general agent could with propriety pay to his sub-agent 14 per cent. renewal commission the second year and no further renewals thereafter."

Commutation of Renewal Commissions Eleventh to Fifteenth Year.

Extract from letter dated August 6, 1913, from the Superintendent to the Massachusetts Mutual Life Insurance Company.

"You refer to the approval of your plan of commuting commissions on the 11th to the 15th premiums, given in my letter addressed to your Mr. Charles H. Angell, under date of August 17, 1912, and add:

'A somewhat different phase of the subject now comes up for consideration, and we are asked by one of our agents to allow a similar commutation at this time of the special or additional commissions for the eleventh to the fifteenth years of insurance on policies issued on and after May 7, 1909, at which time the agreement to pay said additional commissions first went into effect. If this arrangement is made, it would only apply to policies that are in full force at this time, and there would be no commutation of commissions on policies that have terminated by death or lapse or surrender. We beg to ask whether such commutation would have your approval?'

To this my answer is yes."

Restrictions as to Commutations Apply Where Agent Goes to Another State

Extract from letter dated February 10, 1911, from the Superintendent to The Mutual Benefit Life Insurance Company.

"* * * You state that the second case relating to the commutation of commissions 'is that of a general agent who was transferred from North Dakota to California; his North Dakota contract being terminated, he desires to have the company commute the renewal commissions on his North Dakota business. What restrictions govern us with respect to this?'

I would advise you that the same restrictions apply to this as to other cases of commutation."

Provisions of Insurance Law Relative to Commutation of Commissions Permissive, Not Mandatory

Extract from letter dated February 18, 1911, from the Superintendent to Mr. Patrick McKenney, Philadelphia, Pa.

" * * * You write as follows:

'I would thank you very much if you would please to state whether under the New York law, life insurance companies can commute agents' commissions if they want to.

Or whether under the said law, they are compelled to commute commissions if requested.'

That provision of section 97 of the Insurance Law which relates to the commutation of commissions, is permissive and not mandatory."

SUB. 9. AGENCY SUPERVISOR

Persons May Occupy Dual Position of Agency Supervisor and Personal Producer, Provided Expenditures Do Not Exceed Limitations Mentioned in Section

Extract from letter dated August 10, 1906, from the Superintendent to The Germania Life Insurance Company.

"There is nothing in the Insurance Law which prevents you from employing persons in the dual capacity stated (agency supervisor and personal producer) nor which prohibits the 'payment to such persons of a commission for new business written by them personally, besides a salary as agency supervisor,' provided that in the aggregate the expenditures on account of new business do not exceed the limitations set forth in section 97 of the law."

Remaining One-third of Renewal Commission May Accrue to the Agency Supervisor or Manager

Extract from letter dated November 14, 1906, from the Superintendent to The Germania Life Insurance Company.

"You write:

'According to section 97 of the new laws, the renewal commission to district agents shall not exceed two-thirds of the foregoing rates,' i. e., 7½ per cent. and 5 per cent. during nine years.

We assume that in all equity and according to the spirit of the law, the remaining $\frac{1}{3}$, i. e., $2\frac{1}{2}$ and $1\frac{1}{3}$ per cent. accrue to the agency supervisor or manager who, according to the ruling of your favor of August 10, 1906, can act in the dual capacity of supervisor and personal producer.'

In my opinion your assumption is correct."

Agent, Partly Personal Producer and Partly Assistant to Other Agents is Salaried Representative with Reference to Reduction in Renewal Commissions of other Agents in his District

Extract from letter dated January 2, 1907, from the Superintendent to Massachusetts Mutual Life Insurance Company.

"You ask:

'In your opinion is a person under contract with our company upon our regular general agent's form who is himself a personal producer and a part of whose duties is to solicit for applications and who also assists other general agents of the company in his locality in closing business and who may recommend to the company other individuals for contracts with the company, to whom advances are made and whose compensation is determined by a commission upon the business done by himself and that done by agents whom he may, at the request of the company, assist in their work, such a local salaried representative as is contemplated by that provision in section 97 of the present laws of the State of New York in reference to insurance as would work a reduction in the renewal commissions of other agents in his district?'

To this my answer is yes."

(See also § 103, sub. 8-c.)

Payment to General Agent of Salary for Supervising Territory Outside His General Agency District, a Question of Good Faith

Extract from letter dated July 13, 1914, from the Superintendent to the Equitable Life Assurance Society.

"Replying to your favor of * * *, I would state that under section 97 of the Insurance Law it is apparent that the matter is entirely one of good faith as to whether you can pay a general agent a salary for supervising territory outside of his general agency district. In the limitation part of section 97, under (2), it is stated 'for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch

offices.' Further on in the section is the following language, 'provided further that in any agency district subject to the supervision of a local salaried representative the renewal commission payable to agents of such district shall not exceed two-thirds of the foregoing rates annually for fourteen years, etc.' Under these two provisions of the statute, it will be necessary that Mr. ——'s work in the territory to which you assign him shall be confined practically to a general supervision and to which he must give a proper portion of his time and energy, and the company must be able to justify the good faith of his contract in the triennial examination of the company by this Department.

Under these circumstances, if there is apparently a need in the district referred to of a salaried inspector, and Mr. —— is able to properly attend to that work without neglecting his own, this Department can see no objection to it legally."

*Form Letter Allowing Traveling Expenses to Agency Supervisors,
For Use of Company*

Extract from letter dated July 14, 1914, from the Superintendent.

Draft in letter enclosed to ——:

Dear Sir:

Referring to your contract with this company dated, it is hereby understood and agreed that you are to devote your entire time and interests to the securing of insurance for the company and to the securing and directing of agents, and to the performance of such other duties as will be for the best interests of the company.

Until further notice the company will allow you, on account of your services as agency supervisor, the actual amount of the traveling expenses incurred by you, not to exceed dollars a month.

A statement covering the paid-for business from your agency should be submitted to the company at the end of each month.

SUB. 10. LOAN OR ADVANCE TO AGENT

*If Made by General Agent on Behalf of Company Prohibited;
Otherwise Not*

Extract from letter dated June 21, 1906, from the Deputy Attorney-General to the Superintendent of Insurance.

"If, therefore, it could be shown that the general agent made the loan or advance on behalf of the insurance company, or under any agreement with it, it is within the prohibition of the statute; otherwise not."

Advances Against Renewal Commissions Must Cease Jan. 1, 1907

Extract from letter dated July 10, 1906, from the Superintendent to The National Life Insurance Company of Vermont.

"I am in receipt of your favor of the 5th inst., relating to the following paragraph of section 97 of the Insurance Law of this State:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance.'

It is my opinion that the operation of this paragraph is deferred until January 1, 1907."

Office Expenses May Not Be Advanced

Extract from letter dated January 10, 1907, from the Superintendent to General Manager.

"Your favor * * * relating to 'advances' by a life insurance company to a general agent or manager, was received by due course of mail.

Section 97 of the Insurance Law relating to the limitation of expenses of domestic life insurance corporations provides that:

'No such corporation nor any person, firm or corporation on its behalf or under any agreement with it shall make any loan or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance.'

I am of the opinion that this provision will not permit the advance to you by your company of the 'entire amount (or a portion thereof),' of the sum allowed for office expenses, etc."

General Agent Who Makes Loans to Soliciting Agent in Same Company is Making Loans on Behalf of Company

Extract from letter dated March 31, 1909, from the Counsel to the Department to Mr. Charles T. Brockway.

"The Department cannot see how it can be said that a general agent who makes advances or loans to an agent who is soliciting business for the insurance company represented by the general agent is not making such advances or loans on behalf of the insurance company. Accordingly, we should say that such advances or loans, if made, would be in conflict with the laws of this State."

The Words "Loan" and "Advance" are to be Considered as Synonyms and May Not Now be Made on the Security of Renewal Commissions Arising under a Contract in Effect Before the Passage of the Present Law Unless Specifically Provided for Therein

Extract from letter dated April 5, 1909, from the Superintendent to the John Hancock Mutual Life Insurance Company.

"Your favor of the 2d inst., relating to a loan to an agent, has been received.

You quote that part of section 97 of the Insurance Law which prohibits the making of loans or advances upon the security of renewal commissions and write as follows:

'The opinion of the State authorities is respectfully asked upon the definition of the term 'advance.' Suppose a company were to make a loan to an agent upon the basis of renewal premiums to which he had become entitled under a contract and business in effect before the establishment of the present law, would such a loan, if lawful in itself, constitute in any sense an 'advance,' within the meaning of this section?'

I am of the opinion that for the purposes of the law the words 'loan' and 'advance' are to be considered as synonyms and further that no loan or advance may now be made upon the security of renewal commissions arising 'under a contract and business in effect before the establishment of the present law,' unless such contract specifically provided for the making of such loan or advance."

(See § 101, new, subs. 7 and 8, "Policy Loans.")

SUB. 11. ADVANCES AGAINST FIRST YEAR COMMISSIONS

Advances to Agents on Sole Security of Compensation to be Earned by Writing New Business Allowed

Extract from letter dated October 5, 1907, from Superintendent to The National Life Insurance Company.

"Your favor of the 25th ult. relating to the phrase 'except advances against compensation for the first year of insurance,' was received. * * *

You ask if this phrase, found in that provision of section 97 of the Insurance Law which prohibits the making of any loan or advance without adequate collateral security, 'does authorize advances to agents upon the sole security of compensation to be earned by writing new business.'

I am of the opinion that the phrase does authorize such advances."

But Such Advances Must be Made in Good Faith

Extract from letter dated July 12, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that advances may be made to agents so long as the aggregate of the four items for the first year's expenses does not exceed the maximum provided by law and provided always that the advances are made in good faith."

Advances Against Renewal Commissions on and after January 1, 1907, Prohibited

Extract from letter dated December 20, 1906, from the Superintendent to the Massachusetts Mutual Life Insurance Company.

"Your favor of the 15th inst. relating to advances to agents has been received.

Section 97 of the Insurance Law provides that:

*No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or ad-

vance be made upon the security of renewal commissions or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance.'

This very clearly prohibits the making of advances against any renewal commissions on and after January 1, 1907."

SUB. 12. DOMESTIC CORPORATIONS OR FOREIGN CORPORATIONS

Law is Silent as to Contracts of General Agents with Their Sub-agents

Extract from letter dated September 21, 1906, from the Superintendent to Mr. Frederick A. Savage.

"The limitations as to expenses apply to life insurance companies doing business within this State. As to contracts of a general agent with his sub-agents the law is silent."

Foreign Companies Must Comply with Section

Foreign companies must comply with section 97 as to limitation of expenses.

(See Op. A. G., Sept. 1, 1906.)

Last Sentence of Section Applies to Life Insurance Corporations of Other States

Extract from letter dated October 5, 1906, from the Superintendent to The National Life Insurance Company.

"The last sentence of this section reads as follows:

"This section shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance and as to compensation of and loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing nonparticipating policies exclusively."

This applies equally as well to life insurance corporations of other States as to those of this State,"

*Section Applies to Foreign Life Insurance Companies Doing
Business in This State*

Extract from letter dated November 15, 1906, from the Superintendent to
Mr. W. A. Barton.

"Your favor of the 12th inst., relating to limitation of expenses of foreign life insurance companies, has been received.

Computations for expenses are to be made by calendar years irrespective of the localities where policies are issued or delivered.

The provisions of the Insurance Law relating to the expenses of life insurance companies, apply to all life insurance companies doing business within this State."

Idem

Extract from letter dated October 3, 1912, from the Superintendent to the
Northwestern Mutual Life Insurance Company.

"Section 97 of the Insurance Law provides certain limitations for expenses of domestic life insurance corporations. The section further provides: 'A foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the State.'"

*Limitation Applies to General Agents of Foreign Companies
Authorized to Do Business in This State Wherever Said Agents
May be Located*

Extract from letter dated October 7, 1907, from Superintendent to The
Eastern Underwriter.

"Your favor of the 4th inst. in which you quote from my letter to Mr. Charles Jerome Edwards under date of September 26, 1907, has been received.

I am of the opinion that the clause you quote, 'The legislative intent was that no life insurance corporation nor agent thereof should expend or become liable for expenses in excess of the limitation prescribed,' does apply to general agents of life insurance companies of other States authorized to do business in this State, wherever said general agents may be located."

*New York Company Reinsuring Business of Foreign Company
May Not Assume Contracts to Pay First Year and Renewal
Commissions in Excess of Maximum Allowed by New York
Laws*

Extract from letter dated October 9, 1911, from the Superintendent to the
Travelers Insurance Company.

" * * * You state:

'There is a small, young life company in the West which I understand is solvent and legally conducted, but for reasons of its own (which I assume are not subject to criticism) wishes to reinsure its entire business. Its rate of commission the first year and its renewals and its general expense rate have been in excess of the maximum allowed under the New York Law. The company has never done business in the State of New York. Its agents have contracts with the company entitling them to renewal commissions in excess of the maximum allowed by the New York Insurance laws.

Would it be lawful for the Travelers Insurance Company, which is doing business in the State of New York and intends to continue doing business in the State of New York, to reinsure the business of this company; and in the case of such business as is reinsured and continued in force, pay to the original agents the full commissions, first year and renewals, called for by their contracts on all premiums collected on the reinsured policies after date of reinsurance, assuming that in many cases the amount would be materially in excess of the maximum allowed under the New York Law?'

The limitations of section 97 of the Insurance Law as they apply to your company must not be exceeded."

SUB. 14. STOCK CORPORATIONS, WHEN EXCEPTED

*Stock Company Not Relieved from Limitations as to Renewal
Commissions*

Extract from letter dated June 4, 1907, from the Superintendent to The
Washington Life Insurance Company.

"Your favor of the 27th ult., relating to the last clause of section 97 of the Insurance Law, has been received.

You wish to be advised whether, or not, under the clause referred to 'a stock company is relieved from limits as to renewal commissions.'

In my opinion this clause which relieves 'stock corporations issuing and representing themselves as issuing non-participating policies exclusively,' from the application of certain provisions of the section, does not relieve such corporations, 'from limits as to renewal commissions.' "

Section 98 — Salaries of Officers and Agents — When Fixed by Board of Directors

SUB. 2. CONTRACT FOR SALARY LIMITED TO TWELVE MONTHS

Salaries of Officers Must be Fixed at Least Once Every Year

Extract from circular letter dated July 27, 1909, from the Superintendent to each Domestic Life Insurance Company.

"At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

* * * * *

'11. That section 98 of the Insurance Law prohibits a domestic life insurance company from making salary agreements with its officers which will extend beyond a period of twelve months from the date of such agreements, and that, therefore, the salaries of the officers of such a company must be fixed at least once every year. * * *"

(See also § 97, sub. 5.)

SUB. 3. PENSION TO OFFICER, DIRECTOR OR TRUSTEE FORBIDDEN

Company May Establish Pension Fund for Employees Other Than Officers and Directors

Extract from letter dated October 1, 1908, from the Superintendent of Insurance to The Germania Life Insurance Company.

"* * * This Department will recognize the power of your company to lawfully establish a fund and a system of distributing a pension among its employees other than officers and directors. * * *

Under the provisions of the Insurance Law it is important that there shall not be any contractual relations between the company and its employees as to a pension fund. No contract with employees may be made or extended with any provision to the effect that the employee shall participate in the pension fund as a consideration for his employment. Payments from the pension fund so established must be voluntary on the part of the company and provided for in such manner that payments can be suspended or terminated at any time and if so suspended or terminated the employee shall have no cause of action against the company."

Section 100 — Investments

SUB. 1. BONDS SECURED BY ADEQUATE COLLATERAL SECURITY

Investment in Railroad Collateral Improvement Notes Prohibited

Extract from letter dated May 18, 1906, from the Superintendent to The Equitable Life Assurance Society.

"Your communication of the 15th instant *in re* purchase of \$5,000,000 of the Pennsylvania Company's proposed issue of Collateral Improvement Notes maturing December 1, 1907, and requesting Department approval thereto, is received.

The securities in question fall in that class expressly referred to in section 36 of chapter 326 of the laws of this year (§ 100 of the Insurance Law) as investments not allowable after June 1, 1906. For that reason, I do not feel that the Department can give approval to such a purchase at this time, believing that such an act would be in contravention to the spirit of the amended insurance law."

Meaning of the Words "Government" and "Adequate Collateral Security"

Extract from letter dated September 6, 1906, from the Superintendent to the Security Mutual Life Insurance Company.

"Your favor of the 1st inst. relating to loans on bonds by life insurance corporations, is received. Replying to your first question, I would state that the word 'government,' as used in section 100 of the Insurance Law, is not necessarily limited to the United States. * * * Life insurance corporations of this State can invest in or loan upon the 'government' bonds of those foreign countries only in which they transact business. To your second question I would reply that sections 16 and 100, read together, limit the collateral which may be accepted to such securities as the corporation is authorized to invest its surplus funds in. * * * The provision of section 100, that a corporation shall not 'loan upon any bonds or obligations which shall not be secured by *adequate collateral security*, * * *' applies to those bonds or obligations of private corporations whose issue is based upon the deposit of shares of stock. * * *"

Idem

Mere unsecured additional promises of parties already liable to pay bonds are not adequate collateral security.

(See Op. A. G. Aug. 9, 1911.)

SUB. 3. APPROVAL OF SALES OF STOCK*Sales of Securities May be Made Without First Obtaining Approval of Superintendent*

Extract from letter dated May 28, 1906, from the Superintendent to Home Life Insurance Company.

“Replying to your letter of the 23d inst., it is my opinion that under the provisions of section 36 of chapter 326 of the session laws of this year (§ 100 of the Insurance Law), the directors of your company are at liberty to sell stocks and securities in such amounts and at such times as the directors shall deem best, and thereafter report such sales to this Department. I am not of the opinion that it will be necessary to first obtain my approval in writing before such sales are made.”

Promissory Notes Secured by Pledge of Stocks Sold May Not Be Accepted

Domestic life company owning stocks of certain corporations may not sell same in consideration for promissory notes secured by such stock sold.

(See Op. A. G., March 4, 1908.)

Question of Investment in Unauthorized Securities within Discretion of Superintendent

The question of whether a life company in order to comply with section 100 requiring a company to make each year such reduction of its holdings of a certain class of securities as shall be approved by the Superintendent of Insurance, may acquire as a part of the transaction certain securities in which it is forbidden to invest, is one which lies within the discretion of the Superintendent.

(Op. A. G. Dec. 16, 1911.)

Investment in Bonds of Southern Canadian Railway

(See Op. A. G. Dec. 26, 1912, § 16, sub. 6.)

Investment in Railway Equipment Notes

(See Op. A. G. June 16, 1913, § 16, sub. 5.)

SUB. 4. AUTHORIZATION OF INVESTMENT BY BOARD OF DIRECTORS

Surplus May Be Invested in Bonds of Any Private Corporation

(See letter dated Sept. 6, 1906, from the Superintendent to the Security Mutual Life Insurance Company, § 16, sub. 3.)

Loans on Collateral by Domestic Life Insurance Company Must be Made by Board of Directors, or by a Committee Thereof

Extract from circular letter dated July 27, 1909, from the Superintendent to each Domestic Life Insurance Company.

“At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

1. That loans on collateral made by a domestic life insurance company must be made either by the board of directors of such company or by a committee thereof charged with the duty of supervising such loans; and that, consequently, loans made by the president or any other officer of such a company, merely on an authorization from the board of directors or such a committee, are not made in accordance with section 100 of the Insurance Law. It is thought that this view applies also to substitutions of collateral after such a loan shall have been made. * * *

Control Over Insurance Property May Not Be Vested in Outside Party

An insurance company may not enter into a bondholders' agreement whereby trustees under the same have irrevocable authority over and legal title to the bonds on which the company has a lien is vested in outside trustees.

(See Op. A. G. Jan. 17, 1908.)

(See also Rulings cited under Section 16—Investment of Capital and Surplus.)

Section 101 (Old) — Standard Forms of Policies

SUB. 1. APPLICATION OF SECTION

Foreign Life Insurance Companies Were Not Required to Issue Standard Policy Forms

Extract from letter dated September 1, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that foreign life insurance corporations are not required to conform with the standard forms of policies provided for in the act. Section 101, which sets forth in detail the four standard forms, specifically refers to all policies of insurance other than industrial policies issued or delivered within this State by any *domestic* life insurance corporation."

Forms of Policies Issued by Life Insurance Corporations of Other States

Extract from letter dated December 2, 1907, from the Superintendent to Berkshire Life Insurance Company.

"Section 101 of the Insurance Law of this State relating to standard forms of policies applies only to those issued by domestic life insurance corporations. The Superintendent is charged with no duties in connection with the forms of policies issued by life insurance corporations of other states doing business within this State, and can express officially no opinion thereon."

Translation of Standard Policy into French Language

Extract from letter dated October 26, 1906, from the Superintendent to the Metropolitan Life Insurance Company.

"Your favor of the 25th inst. relating to standard forms of policies to be issued by your company for delivery in the Province of Quebec, is received.

I am of the opinion that, for the purpose stated, a translation into the French language of the standard policy forms prescribed in section 101 of the Insurance Law, would be a compliance with the requirements thereof."

Policies Issued to Residents of New York State in 1906 and Paid for in 1907 Must Be Recalled if Not Written on Standard Forms

Extract from letter dated November 21, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"You ask:

'Whether policies issued in 1906 on which the first premium is paid in 1907 are to be considered as having been issued in 1907, as would ordinarily be the case with policies reported in this manner and, if so, would it be necessary to recall all such policies and reissue them on standard forms?'

To this my answer is yes."

Deferred Dividend and Non-Participating Plans in Mutual Company Issued in 1906, Not Completed Until 1907

Extract from letter dated November 27, 1906, from the Superintendent to New York Life Insurance Company.

"As to your inquiries on the question as to what business the provisions of the new Insurance Law relating to deferred dividends, prohibiting both participating and non-participating insurance, requiring standard forms of policies, relating to surrender values, will apply; that is, whether business commenced in 1906 but not completed until 1907 will come under the new law or not, I have to say I have considered that provision in all the application forms used by your company as follows:

'That the insurance hereby applied for shall not take effect unless the premium is paid and the policy delivered to me during my lifetime and that, unless otherwise agreed in writing, the policy shall then relate back to and take effect as of the date of this application.'

I have also considered your customary forms of policies which contain no date, but which do provide that: 'This policy shall take effect as of — day of — 190—;' the blanks in the above form being filled in with the same date as contained in the application. Under this state of facts, in my opinion, the business so done will be deemed business for the year in which the application is dated and it is agreed that the policy shall become effective and the provisions of law in force at the date of the application will control the contract."

Endorsements on Standard Policies

Extract from letter dated December 3, 1906, from the Superintendent to
The Equitable Life Assurance Society.

"As endorsements on the backs of standard policies or supplementary contracts are no part of the contracts, I prefer to express no opinion in regard to them."

Special Clause in Standard Form When Insured is About to go to Tropics

Extract from letter dated December 13, 1906, from the Superintendent to
New York Life Insurance Company.

"From your favor of the 11th inst. I quote as follows:

'We occasionally have a case of a party residing in the State of New York at the time when we insure him, but who is about to go to the Tropics. In such a case we charge the suitable premium for the region to which the party is going and place a special clause in the policy agreeing that, if he returns and takes up his residence again in a temperate zone, the premium shall be reduced to the domestic rate. Is it proper for us to insert such a special clause in issuing a policy on the standard form?'

In my opinion the insertion of such a clause in the policy form under the circumstances mentioned would be proper."

Endorsements on Standard Forms

(See § 58, sub. 3.)

Removal of Lien Under Deferred Dividend Policies

Extract from letter dated January 24, 1907, from the Superintendent to
New York Life Insurance Company.

"Your favor of the 17th inst., relating to substandard or under-average risks with liens and deferred dividends, was received by due course of mail.

You state:

'It happens occasionally that, upon re-examination of the insured within some months after his insurance or upon further information of the facts, we find the risk a better one than we had rated it at the time of the original application and in such cases we are sometimes willing to remove the lien, issuing a changed policy from the original date covering the full face of the insurance.

The question is whether such a change as this, which increases the amount of immediate protection upon the life though not the amount of ultimate protection, is the issue of new insurance upon the deferred dividend plan in the year 1907.'

I am of the opinion that such a change as mentioned is not an 'issue of new insurance upon the deferred dividend plan in the year 1907.'

Paid-up Given for Surrendered Policy

Extract from letter dated March 12, 1907, from the Superintendent to Metropolitan Life Insurance Company.

"In your favor of the 9th inst. you ask:

'Are we correct in assuming that a paid-up policy, given in lieu of the surrender of a policy issued prior to January 1, 1907, and bearing a new number with current date and attained age, is to be considered as a continuance of the original insurance either in whole or in part and can be written on the old form of paid-up blank in use prior to January 1, 1907?'

I am of the opinion that such a change of policies may be made by your company. If the paid-up is to be considered as a continuance of the original policy it should preferably be carried upon the original number, date and age; this will lessen liability to error in valuation. If thought best, the number could have a letter attached."

Special Clause in Standard Form When Insured is a Minor

Extract from letter dated July 9, 1907, from the Superintendent to New York Life Insurance Company.

"You state:

'For a number of years past it has been the custom of this company to issue policies on the lives of children between the ages of fifteen and twenty-one, using the same premium rates as at age twenty-one. As all these policies are issued on the lives of minors, we have added a special clause to the policy, reading as follows:

'The application for insurance on which this policy was issued having been made by the father of the minor insured, it is understood and agreed that the insurance contract is made with the father, and that any transaction between the company and the father, or, in case of the prior death of the father, between the company and the guardian of the insured, with reference to this policy, shall be valid without notice to, or consent of, the insured during minority. It is also understood and agreed that after majority the

company shall deal directly with the insured as though the insurance contract had been made with him originally.'

'We still continue to use this clause in policies issued on the lives of minors in other states. Do you see any objection to adding a similar clause to the standard policy form of the State of New York in such cases?'

In answer would state that I see no objection to the endorsing of the above special clause upon the standard policy form of this State when necessary to fully explain the contract."

Changes in Deferred Dividend Policies Issued Prior to January 1, 1907
(See § 83, sub. 2.)

SUB. A 2. PERIOD OF GRACE IN POLICY ON MONTHLY PAYMENT PLAN

Company May Not Omit "Grace Clause" from Policies on Monthly Payment Plan; "Industrial Insurance" Defined

Extract from letter dated May 9, 1907, from the Superintendent to The Washington Life Insurance Company.

"You ask:

'In your opinion, would the *monthly payment* plan, even if used for policies for large amount, come under the class of 'industrial insurance' and thus give the option to the company to cut out the grace clause?'

In my opinion, policies such as you mention cannot be considered as 'industrial insurance' policies.

Enclosed herewith you will please find copy of letter from Vice-President Haley Fiske of the Metropolitan Life Ins. Co. relating to the definition of the words 'industrial insurance.'"

"THE METROPOLITAN LIFE INSURANCE CO.,
NEW YORK CITY, February 14, 1907.

"HON. OTTO KELSEY, Superintendent of Insurance, Albany, N. Y.

DEAR SIR.—In reply to your letter of the eleventh, I do not remember any Court decision defining what is termed industrial insurance. It seems to be defined by the Insurance Law in section 91 in the following sentence: 'Agents operating solely for companies transacting industrial or prudential insurance on the weekly payment plan of insurance are exempted,' etc.

It is defined in the same way by section 76 of the Massachusetts law: 'On policies of industrial or prudential insurance on which the weekly premiums are not more than,' etc.

It was defined in the State of Louisiana last year in Act No. 65, section 1, as follows: 'Industrial life insurance is hereby defined to be that insurance for which the stipulated premiums, advances, assessments or dues are regularly payable or collectible every four weeks, tri-weekly, bi-weekly, weekly, semi-weekly, or at any other stated times less than a month apart.'

It was defined by statute in Missouri in 1897, in section No. 7943, as follows: 'Industrial or prudential life insurance companies in the meaning of this article are such life insurance companies that issue policies not exceeding \$500 in amount, the premiums on which are paid by a weekly rate and are collected and paid weekly under the term of the policies.'

In insurance literature, industrial insurance has often been defined as insurance on the weekly premium plan.

I think the name was adopted by this company when it began the business in 1879 of weekly premium insurance and its act in so doing was recognized by the Legislature of the State of New York in amending the charter of the company by providing for a separation of the accounts between the ordinary department and the industrial department. This seemed to give legislative sanction for the name industrial insurance for weekly payment insurance.

Very truly yours,

HALEY FISKE, *Vice-President.*"

SUB. A 7. LOANS ON POLICIES

Interest in Advance on a Loan Made on a New York Standard Life Insurance Policy

Extract from letter dated March 31, 1908, from the Superintendent to Mr. Robert K. Orr.

"You ask:

'Will you please advise me whether, under the New York Standard Policy, a company can charge or collect interest in advance on a policy loan?'

The clause relating to loans, which is contained in the New York standard life insurance policy forms, is as follows:

'LOANS.—The company at any time will advance upon the sole security of this policy, at a rate of interest not greater than * * * per centum per annum, a sum not exceeding the amount specified in the table of loan values herein set forth, deducting therefrom all other indebtedness hereon to the company. Failure to repay any such advance or interest shall not void this policy unless the total indebtedness hereon to the company shall equal or exceed the aggregate of all unpaid dividends and accumulations and of * * * per centum (not less than eighty per centum) of the net value of the policy and all additions thereto and thirty days' notice shall have been given by the company.'

I am of the opinion that this clause does not permit a life insurance company to charge or collect interest in advance on a loan made on a New York standard life insurance policy."

NOTE.—Subdivision 7 of new section 101 gives the company express authority for the collection of interest in advance on policy loans if the policy so provides.

SUB. A 10. TABLE OF LOAN AND SURRENDER VALUES

Options on Surrender and Lapse

Extract from letter dated October 30, 1906, from the Superintendent to The Equitable Life Assurance Society.

"Your favor of the 27th inst., relating to options (a) and (b) on surrender or lapse in the New York standard life insurance policies, is received.

You call my attention to the fact that in the Table of Loan and Surrender Values, beginning at line 60 of the ordinary life policy, the values are not given in the order in which they are referred to in lines 50 and 51.

The forms as promulgated are standard only as to their contents and wording. There is no objection to a transposition of the columns headed 'Paid-up insurance' and 'Continued insurance' in the table mentioned."

Change in Table of Loan and Surrender Values

Extract from letter dated November 9, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your favor of the 8th inst., in further reference to the change of heading of the first column of the Table of Loan and Surrender Values in the New York standard life insurance policy, is received.

You state that 'It seems very clear that the provisions of the Insurance Law as to options on surrender, and the provisions of the contract made in harmony with the statute, are controlling, irrespective of the heading in the table.' This is undoubtedly so. But it was felt that the original heading of the first column of the Table of Loans, etc., was misleading and would

lead to disputes. In order to provide for those companies desiring to make loans prior to the expiration of the third year, space was left in the table for the additional loan values.

I am of the opinion that under the circumstances the change proposed is not a necessary one and that further I have no authority now to amend the policy forms promulgated on October 1, 1906."

Table of Loan and Surrender Values: Entry in Years, Months and Days Should be Made

Extract from letter dated November 15, 1906, from the Superintendent to the Manhattan Life Insurance Company.

"Your favor * * * relating to a subheading in the 'Table of Loan and Surrender Values' in the standard life insurance policy is received.

The table calls for the entry in years, months and days, of the term for which the insurance will be continued in accordance with the provisions of section 88 of the Insurance Law. I am of the opinion that the entries should be made as called for, regardless of the company's former usage in this matter."

Endorsement on Policy Concerning Table of Loan and Surrender Values

Extract from letter dated November 15, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your favor of the 14th inst. in further reference to the 'Table of Loan and Surrender Values' in the standard life insurance policy, is received.

You write:

'I propose to meet this situation by advising the company that there is nothing to prevent them from stamping upon a policy issued in New York a statement to this effect under the Table:

'The company will make loans after payment of annual premiums for the number of years indicated.'

This, of course, I take to be a substantial compliance with your ruling on the subject.'

The proposed endorsement, in my opinion, would be a substantial compliance with the ruling on the subject."

Loan Clause in Standard Policy Forms

Extract from letter dated March 19, 1907, from the Superintendent to New York Life Insurance Company.

"You state:

'If it meets with your approval, we should like to add a clause by means of a rubber stamp, or by printing, on the second page of the policy, as follows: "The 'loan value' stated in the above table opposite any year may be borrowed at any time during that year, if premiums have been paid in full to the end of such year." In order that you may see just how the clause would appear on the policy, I am enclosing a form herewith on which we have written the endorsement modifying the loan column.'

The use of the clause stamped on the form enclosed in your letter has my approval."

Cash Surrender Values May Be Included in Policy Contracts

(See letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company, § 88, sub. 9.)

Surrender Values Prescribed in Law are Minimum Values and Larger Values May be Allowed

(See letter dated July 26, 1906, from the Superintendent to The Washington Life Insurance Company, § 88, sub. 9.)

Standard Policy May Contain Table of Cash Surrender Values

Extract from letter dated December 26, 1906, from Superintendent to the Equitable Life Assurance Society.

"You ask:

'Is the Society justified in adding to the surrender value table in the standard policy a column giving the figures of the cash surrender value; or, instead of that, are we justified in printing under the table, or in some other convenient place in the policy, a paragraph to the effect that the cash surrender value is equal to the loan value with 5 per cent added?'

In reply would state that there is no legal objection to the employment by you of either of the methods mentioned."

SUB. A 11-b. MODES OF SETTLEMENT; INSTALLMENTS*Additional Installment Options*

Extract from letter dated April 28, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

“From your favor of the 26th inst. I quote as follows:

‘In accordance with the terms of the standard policy form provided by the statute, section 101 of Article II of the General Insurance Law, one of the modes of settlement is:

(2) By the payment of equal annual installments for a specified number of years, the first installment being payable immediately, in accordance with the following table, for each one thousand dollars of said total sum.

In the opinion of the Department, would it be inconsistent with any of the provisions of the Insurance Law that settlements be made by installments payable every three months instead of annually?’

I am of the opinion that equivalent quarterly installments may be paid to the beneficiary instead of the annual installments mentioned in the option, provided that a clause, giving to ‘the insured or the owner or the beneficiary after the insured’s death’ the right to elect such payment, be ‘indorsed upon or attached to the policy when issued.’”

SUB. D 7. PRIVILEGE OF RENEWAL IN TERM POLICY*Options in Standard Term Policy*

Extract from letter dated October 31, 1907, from Superintendent to Home Life Insurance Company.

“In your favor of the 30th inst. just received you write as follows:

‘The standard term policy, on lines 42 and 43, reads as follows: The policy may here provide, at the option of the company, for its renewal or for the privilege of change to other forms of policies, etc. Will you kindly give us a ruling as to whether the words ‘may here provide at the option of the company’ can be applied both to the ‘privilege of renewal’ clause and the ‘privilege of change’ clause, thus enabling a company to write a term policy without giving either privilege.’

In my opinion the words ‘may here provide at the option of the company,’ do apply both to the ‘privilege of renewal’ clause and the ‘privilege of change’ clause, making the inclusion of either or both of these clauses optional with the company.”

SUB. D 13. MODES OF SETTLEMENT—TERM POLICY

*Form of Endorsement for Optional Decreasing Insurance, and
Payment of Proceeds in Installments*

Extract from letter dated September 30, 1908, from the Superintendent to
The Mutual Life Insurance Company.

“Your favor of the 28th inst., enclosing a copy of a yearly renewable term policy with a proposed form of endorsement thereon, has been received.

You state that: ‘We propose to issue such policies so as to provide a fund for the education of children in the event of the parent dying before the child has finished his education,’ and the form of endorsement proposed reads as follows:

‘MODE OF SETTLEMENT AND SUM INSURED.—THE INSURED HAS ELECTED, with reservation of right to revoke such election, (a) that, upon receipt at the home office of the company in the City of New York of due proof of the death of the insured, the sum insured shall be applied to the purchase of a supplementary non-participating contract, which shall provide for the payment of equal annual installments, the first installment being payable immediately, for the number of years stated in column (2) of the table below opposite the year in which death occurs; AND (b) that, in lieu of the above ‘Privilege of Renewal’ for the full amount, this policy may be renewed at each policy anniversary for the reduced amount of insurance shown hereunder in column (3) for the corresponding policy-year, by payment of the premium shown hereunder, on the annual basis, in column (4) opposite the corresponding amount of insurance, on condition that when the amount of insurance has at any time been so reduced, it cannot again be increased by reinstatement of any part terminated. If the net amount payable at the death of the insured in any policy-year shall be the amount of insurance shown in the table hereunder for such policy-year, the amount of each annual installment will be \$., and if such net amount be more or less than said amount of insurance, the amount of each installment will be increased or decreased in proportion.

(1) Policy Year	(2) Number of Annual Install- ments Payable if Death Occurs	(3) Amount of Insurance	(4) Annual Premium
1st.....		\$.....	\$.....
2nd.....		\$.....	\$.....
3rd.....		\$.....	\$.....
Countersigned.....Registrar.’			

The use of this form of endorsement for the purpose set forth
above has my approval.”

SUB. O. STANDARD FORMS PROMULGATED*Minor Changes in Make-up of Policies*

Extract from letter dated October 17, 1906, from the Superintendent to the Secretary of the Committee of New York Actuaries.

"The forms as promulgated are standard only as to their contents and wording. As printed by the companies there will undoubtedly be some minor changes in make-up; I would, however, strongly advise the retention of line numbers, even though there might not be exact agreement in lines and numbers in any one contract as printed by the different companies."

SUB. P. PROPOSED FORMS OF POLICIES*Additional Standard Forms of Policies*

Extract from letter dated November 16, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Upon proper consideration of the matter, I have determined not to approve policy contracts which are simply variants of those regular forms of policies which have hitherto been issued by all companies. You will of course understand that I do not refer to the changes necessary to make a participating contract a non-participating one.

It was the intent of the legislation of the last session to do away with the needless multiplication of policy forms by prohibiting the issuance, on and after January 1st next, of other than certain standard forms.

While I recognize the fact that the four styles of policy forms set forth in section 101 of the Insurance Law will not cover all the legitimate demands of the insuring public, and am ready to consider such forms as are needed to meet this demand, I am of the opinion that other and special forms should be passed upon by the Legislature at its next session."

Policies with Return Premium Features

Extract from letter dated April 17, 1907, from the Superintendent to The Life Association of America.

"Your favor of the 16th inst., enclosing rate-book and five sample policies, is received.

I note that in one of the standard forms, that for ordinary life insurance, you have written in a table of 'Guaranteed mortuary dividends.'

At the hearing held in New York City on December 27th last, policies containing return premium features were presented and were not approved, these features being considered misleading and deceptive.

I am of the opinion that your company cannot lawfully issue or deliver within this or any other State the form of policy referred to above."

Proposed Change in Pure Endowment Form of Policy

Extract from letter dated August 7, 1907, from the Superintendent to The Equitable Life Assurance Society.

"You write:

'We have recently received a request for a pure endowment to be issued upon the life of a minor, the premiums under the policy to be paid by the child's mother, who desires that in the event of the death of the child the premiums paid shall be returned to her. We are blocked in the writing of the form by the words 'legal representatives or assigns of the insured.' We shall be glad to have you advise us whether in cases of this kind the Society is not justified in inserting the name of the person to whom the premiums are to be returned in lieu of the phrase *legal representatives or assigns*.'

I am of the opinion that the change suggested is unnecessary and unallowable."

Restricting Payments Under Annuity Contracts

Extract from letter dated September 16, 1907, from the Superintendent to Home Life Insurance Company.

"Your favor of the 13th inst., relating to an annuity which a father purposes to purchase for the benefit of a son, was received by due course of mail. You state:

'The circumstances are such that the father wishes to absolutely preclude any possibility of the son selling or hypothecating all or any part of the annuity and he wishes an additional clause to be inserted in the policy contract in order to prevent any such disposition of the proceeds.'

As such 'additional clause' you submit the following:

'It is further agreed that no payment or payments to become due under this policy shall be made prior to the date or dates on which such payment

or payments would become due, that no loan shall be made on the security of this policy nor shall the policy be purchased by or assigned to the said company at any time hereafter and that no assignment of any benefit or benefits under the policy shall be recognized by the said company.'

I am of the opinion that there is no legal objection to the use of this clause for the purpose and in the manner referred to above."

Reinsurance Policies, Standard Form Required

(See letter dated February 23, 1909, from the Attorney-General to the Superintendent of Insurance, § 22, last paragraph.)

SUB. R. APPROVAL OF ADDITIONAL FORMS

Endorsement for Standard Policies to Cover Case of Preliminary Term Insurance

Extract from letter dated August 12, 1907, from the Superintendent to Home Life Insurance Company.

"I am of the opinion that the endorsement, modified as shown by the copy enclosed herewith, may be used 'where the applicant states that it is not convenient for him to pay the full annual premium required by the terms of the policy at the time of year at which application is made.'

In consideration of the payment, upon delivery of this policy previous to the day of, 19.., of dollars and cents, being the charge for term insurance to said date, the Company hereby agrees, in case of the death of the insured previous to the said date to pay the sum assured, subject to the conditions herein expressed.

On payment of the premium due on the day of, 19.., all benefits, privileges and conditions whatsoever, herein expressed, shall be of the same force and effect as if the policy had been originally issued on that date.

....."

Pro Rata Premiums for a Portion of the Year

Extract from a letter dated March 10, 1909, from the Superintendent to the Manhattan Life Insurance Company.

"Your favor of the 6th inst. enclosing a New York standard life insurance policy, ordinary life, 'arranged for this (proposed) pro rata rate,' has been received. You write:

'Under date of August 12th, 1907, in a letter addressed to the Home Life Insurance Company, your predecessor approved of an endorsement to cover preliminary term insurance in case it was desired to have the annual premium come due at a time of the year when the insured would be in funds. The only objection to the preliminary term insurance is that it very often changes the age of the insured, and we occasionally have a man who prefers to pay a pro rata rate, say from March 10 to September 15th, instead of paying a term rate.'

I am of the opinion that, under the circumstances, the change proposed is not a necessary one and that further I have no authority now to amend the policy forms promulgated on October 1, 1906."

Policy Forms Approved only upon Notice to Companies

(See § 88, sub. 18.)

SUB. W. FORMS FOR DELIVERY IN OTHER STATES

Forms of Policies Issued by Domestic Life Insurance Corporations for Delivery in Other States or Foreign Countries

Extract from letter dated March 12, 1907, from the Superintendent to Mr. Harry D. Williams.

"Your favor of the 5th inst., relating to section 37 of chapter 326 of the Laws of 1906, being section 101 of the Insurance Law, as amended, was received by due course of mail.

This section provides for 'four standard forms of policies, to wit: (1) An ordinary life policy, (2) a limited payment life policy, (3) an endowment policy, and (4) a term policy.' Provision is made for the alteration or amendment of these forms of policies 'by the direction of the Superintendent of Insurance at any time prior to the first day of October, nineteen hundred and six,' etc.

Provision is also made for other forms of policies desired by domestic life insurance corporations for issuance or delivery within this State; requiring them to be presented at a public hearing and to be approved by the Superintendent before the corporations should be entitled to use them in addition to the forms prescribed in the section.

The concluding paragraph of the section is as follows:

'Anything herein contained to the contrary notwithstanding, any domestic life insurance corporation may issue and deliver in any other State, or in any foreign country, or may issue in this State for delivery in any other State or any foreign country, any form of policy not inconsistent with any of the provisions of the insurance law.'

I am of the opinion that this last paragraph will not permit any domestic life insurance corporation to issue in this State for delivery in any other State or any foreign country, any form of policy which by any amendment, alteration, provision or omission, materially changes any form of policy approved or promulgated by the Superintendent as provided for; nor will it permit the issuance by such a corporation for delivery within or without this State of any form of policy the use of which is restricted to this corporation or others licensed by it, under the provisions of the Copyright Law."

Forms for Delivery in any Other State, or in Foreign Country

Extract from letter dated October 21, 1907, from the Attorney-General to the Superintendent of Insurance.

"I am inclined to the view that the statute should be construed as though it provided that domestic life insurance companies could only issue and deliver in this State the standard forms of policy, but that they might issue in this State and deliver in any other State a variation or modification of the standard form approved by the Superintendent of Insurance, provided, of course, that such change or modification should not be inconsistent with the provisions of the statute. A different construction might well lead to preventing our domestic insurance corporations from doing business in other States of the Union, which could not have been within the legislative intent."

Idem

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

"I am of the opinion that this (the last clause of section 101 of the Insurance Law), does not require forms of policies issued by any domestic life insurance corporation 'for delivery in any other State or any foreign country' to be submitted to nor approved by the Superintendent of Insurance."

Section 101 (New) — Standard Provisions

Forms to be Filed and Approved

Revised Rules for the Submission of Policy Forms Under New Section 101

Letter dated Oct. 27, 1914, from the Superintendent to all Life Insurance Companies authorized to make insurance within this State under subdivision 1 of section 70 of the Insurance Law.

"Chapter 301, Laws of 1909, new section 101 of the Insurance Law, became a law on the 7th day of May, 1909, and on the 28th day of May of that year a circular letter containing rules for the submission of policy forms under that section was sent to all life insurance companies then doing business within the State of New York. Several hundred different forms of policies of life insurance have been filed under the requirements of that law, and the experience of the past years in examining those forms has shown that the rules contained in the circular letter of May 28, 1909, do not cover all the points which must be considered in passing upon the sufficiency of policy forms. It has, therefore, been found necessary from time to time to make supplemental rules covering the submission of policy forms, and the following is a revision of the rules for the submission of policy forms under said new section 101. These revised rules should be followed in the preparation of policy forms to be submitted on and after November 2, 1914.

1. *Preliminary filing.* A company should file two fair printer's proof copies of any new policy form for preliminary examination, in order that the form may be given due consideration and any defects therein pointed out and corrected before it is printed for formal submission and filing.

2. *Formal filing.* When a policy form has been drafted, completed and printed in accordance with the requirements of the statute and of these rules, it should be submitted in triplicate, accompanied by three (3) copies of the application, and the same number of copies of any other supplementary forms which will be necessary parts of the insurance contract.

3. *Forms to be filled out.* Each policy form, application blank and supplemental form, when thus submitted for formal approval, must be filled out complete, with fictitious names and hypothetical data appropriate to the particular form, so that there will be no blank spaces. In ordinary cases it is suggested that forms be filled out as of age 35, but in the case of sub-standard risks or rated-up ages forms may be filled out as of age 30 or 35, and rated up to the age required.

4. *Form number.* Each form of policy submitted to the Department for approval must be designated by a form number printed at the lower left-hand corner of the first page thereof. The form number alone should be sufficient to identify the form and all its printed contents, without reference to the date of the edition or date of printing.

5. *Descriptive matter.* A brief description of the true nature of the policy should be printed on the first page, at the foot of the page.

6. *Reserve basis.* The reserve basis, mortality table and rate of interest, used, must be stated in the policy. Usually the reserve basis should be set forth in connection with the non-forfeiture values, but this rule applies to term forms, annuities, and other forms in which non-forfeiture values are not required.

7. *Surrender charge.* The amount of the surrender charge, if any, must be stated in the policy. It is sufficient to state the maximum amount of the surrender charge, naming the policy year, with the further statement that such surrender charge will decrease until a certain policy year, naming it, after which there will be no surrender charge. The table of loan values must show the full reserve to cents for those policy years in which, by the terms of the policy, there is no surrender charge, and for the same policy years the term of extended insurance should be shown for years and days.

8. *Photographic copies of application.* If it is the practice of a company to attach to a policy a photographic reproduction of the application upon which it is issued, the company may attach to each copy of a policy form such photographic copy of the application, filled out with data appropriate to the form, both Part I and Part II, and reproduced full size.

9. *Purpose of form.* A company is requested to state, when submitting a new policy form, whether it is intended to supersede some form theretofore approved, and if so, the form number of the form to be superseded.

Indorsement Forms

10. *Indorsement stamps.* Forms of indorsements for formal approval should be submitted by means of triplicate impressions of a rubber stamp. A typewritten draft of a proposed form of indorsement may be submitted for examination preliminary to the preparation of the rubber stamp. The rubber stamp should bear a form number at the lower left-hand corner; it should provide a line for the date of execution, and it should show that the indorsement is to be executed in the name of the company by one or more of its executive officers, and their titles should appear on the stamp. The blanks in the impressions of an indorsement stamp should be filled out in the same manner as policy forms and supplementary forms.

11. *Blank indorsement forms printed on policy.* Certain indorsement forms that are frequently used on life policies may very well be printed on the back of a policy form, ready to be filled in and executed at any time as occasion may arise. Such, for example, are indorsements for changing the beneficiary; changing the time of premium payments; or changing mode of payment of proceeds of policy. Each such blank indorsement form must be designated by an appropriate form number, printed at the lower left-hand corner of the form.

Rider Forms.

12. *Rider forms printed.* Rider forms, such, for instance as those for removing policy restrictions as to residence, or military or naval service, or for reinstatement after lapse, should be printed and submitted in triplicate, with all blanks filled in with hypothetical data appropriate to the case. Each such rider form must be designated by a suitable form number, printed at the lower left-hand corner of the form; it should provide a line for the date of execution, and it should show that it is to be executed in the name of the company by one or more of its executive officers, and their titles should be printed in the rider. The word "printed" in this rule is used in its ordinary sense, and it does not include work of the mimeograph, multigraph or other styles of duplicating machines.

For further information in regard to the provisions in policy contracts, whether required or forbidden by law, companies are referred to the several rulings contained in Department Report for 1914, Part V, under sections 58, 60, 88, 89, 92 and new 101."

Forms of Contracts Based Upon Persistence, or Cessation of a Human Life or Lives Must be Filed with and Approved by Superintendent

Extract from letter dated July 20, 1909, from the Superintendent to The National Life Insurance Company.

"Replying to your inquiry of the 16th inst., I would advise you that in order fully to comply with the requirements of section 101 of the Insurance Law as to the filing of forms of policies to be delivered in this State on and after January 1, 1910, it will be necessary for you to file copies of all contracts based upon the persistence or the extinction of a human life or lives, which you intend to issue for such delivery."

Forms of Policies for Delivery in this State on and after Jan. 1, 1910, Must be Filed and Approved

Extract from letter dated July 27, 1909, from the Superintendent to the Postal Life Insurance Company.

"I am of the opinion that each life insurance corporation, authorized to transact business in this State, must file for approval copies of every form of policy contract which it purposes to issue or deliver in the State on and after January 1, 1910."

(See rules concerning forms of policies; also § 88, sub. 18.)

Forms of Life or Endowment Insurance and Application Blanks for Delivery after Jan. 1, 1910, and All Advertising Literature, Should Conform to Present Law

Ruling of August 3, 1909.

"The forms of policies of life or endowment insurance for delivery in this State on and after January 1, 1910, and forms of the application blank upon which such policies are to be issued, should be drawn in accordance with the provisions of new section 101 of the Insurance Law and with due regard to the other provisions of the Insurance Law of the State of New York, which are intended to protect the interests of policyholders.

All advertising literature should be prepared with reference to the present state of the law of insurance in this State; if comparisons of rates, cost and results be made, such comparisons should be fair and just; non-participating rates and results should be compared with non-participating rates and results in other companies, and illustrations should be drawn from settlements made at a comparatively recent date and under present conditions."

Form Containing Standard Provisions Required for All Policies Issued in the State of New York Wherever Delivered. Defining "or" in "Issued or Delivered."

Ruling of April 10, 1912.

"In my opinion the use of the word 'or' in the phrase 'issued or delivered in this State' as those words appear in section 101 of the Insurance Law, prescribes the use of the standard form of life policy by domestic corporations, not only in cases where the policy is issued and delivered in this State, but also in cases where the policy is issued in this State and delivered elsewhere. The situation would be different if the Legislature had employed the word 'and' instead of the word 'or' in the phrase above set forth. There is no question in my mind but that the issuing of a policy, in a legal sense, occurs at the home office of the company, so that the law as it stands seems to prohibit the issuing by domestic corporations of a life insurance policy which does not conform with the standard requirements, no matter where that policy may be delivered."

Policy Forms and Application Blanks Should be Submitted in Triplicate

Ruling of December 19, 1912.

"Policy forms should be submitted in triplicate, completely filled out in accordance with the rules contained in the circular letter of May 28, 1909, and should be accompanied in each case with copies of the application blank or blanks, also filled out with hypothetical data such as would be satisfactory to the company preliminary to the issue of a policy thereon."

Application Blanks Must be Completely Filled Out and Filed in Triplicate

Ruling of August 2, 1911.

"You should forward to me three copies of each form, filled out in the manner customary with your company. You may, if you wish, select any form of application and medical report upon which you have actually issued a policy, substituting a fictitious name in place of the name of the insured, and fill out the two blanks to correspond with the blanks in the case of an application upon which the policy has actually been issued."

Photographic Copies of Application Must be Reproduced Full Size

Extract from letter dated February 25, 1913, from the Superintendent to the Connecticut Mutual Life Insurance Company.

"The Department approves of the use of photographic copies of application blanks for attachment to policy forms submitted, but unless they are of full size and perfectly legible, printed forms filled out with the pen or with the typewriter are to be preferred."

Form Number Must be Printed at Lower Left Hand Corner of First Page of Policy

Ruling of May 25, 1911.

"It is suggested that for the convenience of the Department, the number of the policy form should be printed at the lower left hand corner of the first page."

Separate Form Number for Each Policy Form

Ruling of January 2, 1912.

"Policy forms should be given a separate and distinct number. The form number should be sufficient to identify the form and its contents, without reference to the date of the edition or date of printing."

Place for Signatures of Officers on Policy Forms

Ruling of October 24, 1911.

* * * "You may, if you wish to do so, prepare your present edition of policy forms with places for the signatures of the executive officers at the foot of the first page, with the statement immediately above the authentication clause reciting that the policy 'is issued and accepted subject to all the conditions, benefits and privileges described on the second and third pages hereof which are hereby made a part of this contract.'"

Use of Riders and Indorsements Distinguished

Extract from letter dated February 14, 1914, from the Superintendent to the Berkshire Life Insurance Company.

"As a general proposition, it may be said that a rider should be used only for the purpose of granting a concession to the insured, or to the beneficiary, or for the purpose of waiving some restriction in the policy, so that it will be for the interest of the insured and the beneficiary that the rider shall remain attached to the policy.

* * * * *

An indorsement, however, may be used either to enlarge or to restrict the company's liability under a policy, whether the occasion or the extent of such liability is to be changed by the indorsement."

Indorsements — Formal Closing

Extract from letter dated January 30, 1914, from the Superintendent to The Fidelity Mutual Life Insurance Company.

"In the preparation of a rubber stamp for indorsements, such stamp should bear a form number at the lower left hand corner for

the purpose of identification, and it should provide a line for the date of execution, ordinarily at the lower left, immediately above the form number, and it should bear the name of the company and purport to be executed by one or more of its executive officers. The title or titles of such officers should appear on the stamp."

*Only Indorsement Forms for Use With Approved Policy Forms
Should be Submitted*

Extract from letter dated September 25, 1913, from the Superintendent to the Aetna Life Insurance Company.

"I note your statement that a few of the indorsement forms, drafts of which were recently received at this office, are intended exclusively for use in connection with old policies, issued by your company prior to January 1st, 1910, when new section 101 first became effective, and you wish to know whether this Department requires such indorsement forms to be filed for approval. I am of the opinion that it will be more satisfactory if you will submit only such indorsement forms as are intended to be used in connection with policy forms which have received the approval of this Department.

Approved Indorsement Form Covering War Conditions

Extract from letter dated April 29, 1914, from the Superintendent to the Home Life Insurance Company.

"The proposed rubber stamp indorsement to be placed along side the Disability Provision, whether in the policy or on the rider, in order to meet the requirements of rule 10 of Department circular letter of July 15, 1913, should be amended to read in accordance with the draft of same herewith inclosed."

NOTE.—The following is the form referred to as acceptable:

"If the insured enter upon military or naval service in time of war, or if while a civilian he engage in any allied occupation involving an association with military or naval manœuvres in time of war, the benefits of this provision, together with the extra premium therefor, shall immediately cease. A pro rata refund shall be made of the extra premium for the year current at that date.

New York, ..., 191...

Form 5555 WR.

..... LIFE INSURANCE COMPANY.

By,

Secretary.

Pure Endowments are to be Considered as Insurances

Extract from letter dated July 20, 1909, from the Superintendent to The Mutual Life Insurance Company.

"You state:

'I wish to ask your opinion regarding pure endowment contracts. Section No. 101 mentions only life and endowment insurance policies. * * * Pure endowments are not, therefore, covered by Section No. 101 of the new law. * * * Section No. 102 prohibits life insurance companies from issuing both participating and non-participating policies. * * * We desire to issue pure endowments next year at smaller rates of premiums than those now charged, but on the non-participating plan. * * * Will you kindly advise me whether or not you consider that the pure endowments which we issue should call for annual dividends.'

I would advise you that for the purposes of the Insurance Law, pure endowments are to be considered as insurances. See the Insurance Cyclopedica by Cornelius Walford, Vol. 1, p. 207, '20. Ins. of sums of money by ways of endowment. (Endowments.)' "

Standard Provisions Applicable to Children's Endowment Policies

Ruling of September 9, 1911.

"Of the provisions mentioned in new section 101, it seems that in a child's endowment policy there are ordinarily required the first, second, third, fifth (if participating), sixth and tenth. Provision fourth is not usually of much importance under such a policy, and it is not required, unless the policy is to mature at a certain age instead of maturing in a certain definite number of years, as is the usual practice.

If the policy provides for the return of premiums, either with or without interest, in the event of the child's death before the maturity of the policy, it may provide loan values and cash surrender values, and in that case provisions seventh and eighth apply to such a policy. But such provisions should not ordinarily be encouraged unless the loan or cash surrender value is to be used for the purpose of educating the insured."

*Shortening of Limitation of Claim Period in Policy Form
Disapproved*

Ruling of November 9, 1909.

“New section 101 provides that:

‘On and after January 1, 1910, no policy of life or endowment insurance shall be issued or delivered in this State unless and until a copy of the form thereof has been filed with the Superintendent of Insurance and approved by him.’

“The power thus given to me to approve forms of life insurance policies implies the power to disapprove all such forms as may seem to me unjust to the policyholder, or which unduly restrict or limit the right to enforce the same against the company. Any shortening of the limitation of the right to enforce a contract of life insurance when it shall mature as a death claim to a period less than the ordinary six year limitation provided in the Code of Civil Procedure seems to me unjust to the policyholder. * * * I have accordingly suggested to the few companies whose policies contained a limitation of less than six (6) years that they should either make the limitation six years or strike the provision from their policies and they cheerfully accepted the latter suggestion by eliminating from their policies all references to any limitation concerning the filing of a claim or the commencement of an action thereon.”

*Waiver of Right to Have Medical Examinations Treated as
Confidential not Permissible*

Ruling of August 3, 1909.

“There was submitted a form of application which contained the following:

‘I hereby agree and bind myself as follows: * * * That all provisions of law forbidding any physician, who has attended or who shall or who may hereafter attend me, from disclosing any and all information which he acquired, or which he may or shall acquire by such attendance, are hereby expressly waived.’

The ruling thereon was:

‘This conflicts with the provisions of sections 834 and 836 of the New York Code of Civil Procedure and will not effect the purpose which it contemplates. In the case of *Holden v. The Metropolitan Life Insurance Co.*, 165 N. Y. 13,

it was held that an express waiver in an application for a policy of life insurance of the provisions of section 834 of the Code of Civil Procedure, made by the insured after the amendment in 1891 to section 836, providing that such waiver could be made only upon 'the trial or examination' by his personal representatives, had taken effect, is ineffectual to permit disclosures by a physician of information which he acquired in attending the insured in a professional capacity.

It seems that no good can arise from the inclusion of such a waiver in the application, and it is likely that it would result in much needless litigation.

The application blank submitted by another company contained substantially the same provision and the same ruling was made thereon. The latter company then asked for a reconsideration of the matter and the general counsel of the company stated the reasons for retaining the waiver in its application blank, saying that: 'If the application blank were to be used alone in the State of New York it would be a practical matter to omit the part of it waiving the provisions of law forbidding a physician from disclosing information acquired in his professional capacity, but the provisions of the New York Law are not generally in force in the various jurisdictions where questions are likely to arise on the point covered by that phase of the application, * * * and this being a useful provision in the application blank where as at common law the privilege may be waived, the company has inserted a waiver in the application, understanding, of course, that it can only be used where the laws of the jurisdiction recognize such waiver. Therefore, while you are quite right in stating that the waiver will not accomplish the purpose intended in New York, it will accomplish the purpose intended in very many localities and so is adopted as a general form of the company. Its insertion in the application blank can do no harm in New York even if it does not do any good there.'

The ruling thereon was that: 'In view of the provisions of sections 834 and 836 of the New York Code of Civil Procedure, and the decision of the Court of Appeals in the case of *Holden v. The Metropolitan Life Insurance Company*, the use of such waiver in this State is improper. I am of the opinion that the use of such waiver, the same being ineffectual, does do harm and especially would harm be done if a domestic corporation should continue a practice which is denied to foreign corporations. I believe that corporations which owe their existence to New York laws should yield ready acquiescence to those laws and their interpretation by the highest court of the State.'

Idem

Ruling of January 4, 1913.

"A certain company submitted a form of application which contained the following:

'I expressly waive, on behalf of myself and of any person who shall have or claim any interest in any policy issued hereunder, all provisions of law forbidding any physician or other person who has attended or examined me,

or who may hereafter attend or examine me, from disclosing any knowledge or information which he thereby acquired.'

Such a provision is objectionable in an application for life insurance to be issued or delivered in this State, since it violates the provisions of sections 834 and 836 of the New York Code of Civil Procedure.

Holden v. Metropolitan Life Insurance Company, reported 165 New York, page 13."

Policies Delivered in New York State Must Not be Made Subject to Laws of Foreign States

Ruling of August 3, 1909.

"There was submitted a form of application which contained these words:

'And that the policy applied for and this application shall be subject to and construed according to the laws of the State of' (Naming a foreign State).

The ruling thereon was: 'This is not proper in a policy issued for delivery in the State of New York.'

Use of the Term "New York State Official Policies" Prohibited

Ruling of August 3, 1909.

"In the rate book, and in one of the advertising leaflets, the policies are designated as 'New York State official policies.' There is no New York State official policy and your policies should not be so designated, in the policies, in the rate book or in any literature descriptive of such policies."

Words "Renewable-Convertible," May be Used in Term Forms

Ruling of March 31, 1910.

"It is suggested that in connection with the title at the top of the first page (of a term form) or at the foot of that page, there should appear the words, 'Renewable-Convertible.' These words point out two very obvious advantages which this contract offers over those term contracts which do not contain the renewal and convertible clauses and it is thought that in the interest of persistent insurance it will be well to use the words suggested as part of the descriptive title of such a contract as this."

*Words "Non-renewable," "Non-convertible" Must be Used
When Term Form Does Not Provide for Renewal or Conversion*

Ruling of January 15, 1913.

"The Department holds that the spirit of section 60 of the law requires that the nature of the policy should be clearly stated in its title, and if a term policy contains no provision for its renewal as a term, then the title of the policy should state that it is non-renewable."

Privilege of Renewal Clause Must State Whether Medical Re-examination Is Required

Ruling of March 31, 1910.

"The clause (in a term form) entitled 'Privilege of renewal' should state definitely and clearly whether the policy will be renewed (as a term) without medical re-examination."

*Privilege of Change Clauses in Term Form Must be Definite with
Regard to Medical Examination*

Ruling of March 31, 1910.

"The clause (in a term form) entitled 'Privilege of change to other forms of policies,' should state definitely and clearly whether that privilege will be granted without medical re-examination."

Use of Word "Pension" in Installment Policy Disapproved

Ruling of April 16, 1913.

"The Department ruled that the word 'pension' is not a proper term to use in an insurance contract to designate installment payments. A pension as ordinarily defined is a stated allowance to a person in consideration of past services, usually such a payment from a government to retired employees or public officers in the civil or military service. The word 'pension' is in no sense a life insurance term, and in such contracts as these the word 'installment' or 'installments' is much to be pre-

ferred. The word 'pension' wherever it appears in the two proposed forms and in the specimen of proposed rate sheet should be eliminated, and the word 'installments' or 'installment' should be inserted in place thereof.

Aggregate Amount of Installments and Commuted Value Should be Stated on Face of Installment Policy

Extract from letter dated January 12, 1914, from the Superintendent to the Fidelity Mutual Life Insurance Company.

"I am of the opinion that the face amount of the policy, or insurance value of the aggregate amount of installments, should be stated in the text and on the face of the policy, if it is not satisfactory to you to place the same at the upper right hand corner, as suggested in my letter of the 6th instant.

A certain other company has covered this matter in some of its installment forms by inserting at the upper left, below the name of the company the words:

"Annual Income of \$.....
For Life of First Payee
Beginning at the Death of Insured."

and at the upper right, below name of company:

"Minimum Amount of Annual Income
\$..... having Equivalent
Commuted Value of \$.....
etc.

Commuted Value of Installment Policy and Aggregate of Installments Certain.

Ruling of June 12, 1911.

This ruling was in substance that:

"Policy forms which provide for installment payments, either installments certain or installments certain and continuous, should show the commuted value, or insurance value, on the first page of the policy. It is desirable, also, that in connection with the statement of commuted value, or insurance value, the amount of the installments certain be shown. That ordinarily it is sufficient if the commuted value and the amount of the installments certain are stated at the upper right hand corner of the first page."

*Beneficiary in Installment Policy May Not be Designated as
"Annuitant"*

Ruling of September 30, 1912.

"A certain company submitted a policy form providing for continuous monthly installments and designated the payee of the installments 'annuitant' instead of 'beneficiary.' The ruling thereon was as follows:

The Department is of the opinion that the word 'annuitant' wherever it appears in this form should be eliminated and the word 'beneficiary' substituted in place thereof."

*Installment Option Riders Should not be Used Concurrently With
Issue of Policy*

Ruling of November 23, 1911.

"The matter of these riders has been given careful consideration and the Department is of the opinion that there is no valid reason why the use of such riders should be permitted, since it appears that they are to be issued as of even date with the policies to which they are intended to be attached, and such installment options as are provided by these riders can be, and should be, included in the policies if the company is willing in any case to pay the proceeds of the policy in installments."

Waiver of Premiums and Disability Provision

Ruling of January 9, 1912.

"About the middle of April, 1910, a hearing was granted to a certain company with regard to the insertion in policies of life insurance of a paragraph entitled 'Waiver of premiums' in case of total and permanent disability of the insured, and since that time all life insurance companies, whether foreign or domestic, which are entitled to make insurance under sub. 1 of section 70, have been permitted to insert such 'Waiver of premiums' paragraph in their policies, but companies are still permitted to use supplemental contracts providing for disability insurance."

Disability Clause May be Inserted in Outstanding Policies Providing Policy Does Not Prohibit Its use

Extract from letter dated February 17, 1914, from the Superintendent to S. W. Carmach, agent, Manhattan Life Insurance Company.

"Your letter of the 10th instant is at hand, and it is noted that you wish to be advised whether the laws of this State prohibit an insurance company from inserting the 'Disability clause' in a policy issued in the year 1904. If the company has a rider form embodying the so-called 'Waiver of premiums' or 'Disability clause,' duly approved in accordance with the provisions of section 107 of the Insurance Law of this State, it is permissible for the company to use such rider in connection with any of its policies at whatever time they may have been issued, provided there is nothing in the outstanding policy which would forbid the use of such a rider."

Policy Form With New Provision Added Must Bear New Form Number

Extract from letter dated February 26, 1914, from the Superintendent to The Penn Mutual Life Insurance Company.

"If you wish to utilize the present edition of Form No. 2 C by printing thereon the so-called 'disability provision,' I have no objection to your doing so, provided you will assign to the new form a distinctive form number and print such distinctive form number at the lower left-hand corner of the first page of the policy, and block out the former designation 'Policy Form No. 2 C.' It seems that it will be best *not* to use the '2 C' in the new designation, but it is suggested that whatever combination of numbers and letters is used, it should end with 'Dis,' the usual designation of the disability provision."

Clause Maturing Policy at Face Amount on Proof of Total Disability Disapproved

Extract from letter dated April 27, 1914, from the Superintendent to the Union Central Life Insurance Company.

"I note your suggestion that perhaps the wishes of this Department may be met if the clause concerning total disability

should be revised in such a way as to provide that the amount of the policy be payable to the insured and the beneficiary jointly. I assume that this means payment of the amount of the policy in one sum, immediately after the expiration of one year from the beginning of total disability, and my telegram is based on that supposition. A provision by which the policy would be matured for its face amount forthwith upon proof of total disability would amount to the granting of accident insurance, within the meaning of sub. 2 of section 70 of the Insurance Law, and would therefore not be permissible unless in accordance with the suggestion heretofore made the company's charter be amended to permit it to do an accident business, and in that event the policy must of necessity contain the provisions required by section 107 as well as those required by section 101."

Basis of Conversion Charge Must be Stated in Policy

Extract from letter dated December 3, 1913, from the Superintendent to the Berkshire Life Insurance Company.

"I am of the opinion that the conversion provision in a life insurance policy should contain a statement of the basis for determining the amount to be paid for the conversion; first, for the information of the policyholder, and second, for uniformity and for the purpose of comparison with similar provisions in the policies of other companies."

SUB. 1. GRACE IN PAYMENT OF PREMIUM

Interest on Premiums for Period of Grace Should be at Definite Rate of Interest

Ruling of August 9, 1909.

"The interest on premiums for the period of grace should be at a rate 'not in excess of 6 per cent. per annum.'

Interest on premium after expiration of grace period.

(See Section 89, sub. 4.)

SUB. 2. INCONTESTABILITY

Incontestability Clause Must Follow Language of Statute

Ruling of August 7, 1909.

"The provision concerning incontestability should follow the language of the statute 'after two years from its date of issue.'"

Provision Making Policy Incontestable from Date of Issue Contrary to Public Policy

Ruling of February 26, 1910.

The Department rules that a provision in a policy of life insurance to the effect that the policy shall be incontestable from its date of issue is against public policy. The following cases support this ruling:

Ritter v. Mutual Life Insurance Company of New York, reported 169 U. S., page 139.

Reagan v. Union Mutual Life Insurance Company, 189 Mass., page 555.

New York Life Insurance Company v. Frank H. Hardison, 199 Mass., page 190.

Bliss on Insurance, § 247.

Welch v. Union Central Life Insurance Company, 108 Iowa, page 224.

New York Life Insurance Company v. Weaver's Administrator, 114 Kentucky, page 295.

Idem

Ruling of April 3, 1913.

"A certain company indorsed on a form submitted to the Department for approval a receipt in effect a provision making the policy incontestable from date of issue, in consideration of the payment of an additional premium. The Department in answer made the following ruling:

'You are advised that this portion of the form is disapproved for the reason that it is contrary to public policy to make a life insurance contract incontestable from its date of issue.

• • • • • • • •

Inasmuch as our statute requires that the policy contain a provision in effect that it shall be incontestable *after two years from its date of issue* except for nonpayment of premiums, etc., it seems to have been intended that a company should reserve the right to contest a policy for any one of a number of reasons *within a reasonable period* after the date of issue, and I am of the opinion that the time within which a life insurance policy may be contested should not be limited to a period of less than one year from the date of issue."

(See citations under preceding rulings.)

Provision for Incontestability After One Year Approved

Ruling of December 10, 1912.

"You will note that provision 2 above quoted requires the policy to contain a provision that it shall be incontestable after two years from its date of issue. It is, however, customary with a number of companies to insert in policies a provision that they shall be incontestable after one year from date of issue, and such provision has been approved by this Department as being more favorable to the insured."

Exception in Incontestable Clause May Not be Extended to Aviation Risks

Ruling of April 9, 1913.

A company proposed to insert in its policies a provision in substance as follows:

"Death resulting from, or while engaged in, aviation or aeronautical ascensions, are risks not assumed by the company. In such cases the indemnity shall be the sum of the gross premiums paid."

The ruling on this proposition was:

"Under the law as it is at this time, I am of the opinion that such a provision cannot be lawfully incorporated in your policies. Subdivision 2 of section 101 of the Insurance Law reads as follows:

'2. A provision that the policy shall be incontestable after two years from its date of issue except for non-payment of premiums and except for violation of the conditions of the policy relating to military or naval service in time of war.'

It seems, therefore, that such a provision as you suggest could be made effective only during a period of two years immediately following the date of issue of the policy."

Date of Issue is the Date the Policy Bears for Original Issues

Extract from letter dated November 16, 1909, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"You ask:

'Will you please give me your interpretation of the words *date of issue* in subdivision 2 of section 101, standard provision clause in the Law of 1909,

amending the act in relation to insurance corporations. Does it mean the date which the policy bears, or the date when the home office executes and sends out the policy for delivery, or the date of actual delivery to the insured ?'

To this my answer is, the date which the policy bears, for original issues."

Words "Date of Issue" Must Appear in Incontestable Clause

Ruling of February 9, 1911.

"The paragraph entitled 'Incontestability' reads as follows: 'This policy, with the application therefor, constitutes the entire contract between the parties hereto and shall be incontestable after one year from *its date*.' In my letter to you, dated October 4, 1909, in point second I said to you: 'It seems necessary to use here the words of the statute, 'date of issue,' for the reason that the *date* of a policy and its *date of issue* are not always nor necessarily the same, since life insurance policies are frequently ante-dated or postdated.'"

Railroad Employment Clause Voiding Policy Disapproved

Extract from letter dated November 29, 1913, from the Superintendent to the
Ætna Life Insurance Company.

"Your letter of the 25th inst. inclosing two copies of draft of proposed Form 707 X, was duly received. This form has been examined, and it is noted that in paragraph 8 on the third page entitled 'Restrictions' it is provided that 'if death shall otherwise occur at any time from accidental causes incidental to and originating while the insured is employed in railroad work, except as hereinafter provided, this policy shall likewise be null and void except for the full reserve. You are advised that such a provision in a life insurance policy cannot be approved, since it is in violation of the provisions of sub. 2 of section 101 of our law."

Railroad Employment; Extra Hazards Covered by Extra Premium

Extract from letter dated December 11, 1913, from the Superintendent to the
Ætna Life Insurance Company.

"I am of the opinion that the only way to cover the extra hazards of employment in railroad work is by means of an extra premium, but I should not object to a provision to the effect that in case insured at the time of paying any premium shall furnish proof to the company that he is not engaged in railroad work or any other extra hazardous calling, the company will refund to him the amount of the extra premium required while he is employed in railroad work."

SUB. 3. APPLICATION MADE A PART OF POLICY CONTRACT

Where Application is Made Part of Contract, Policy Should State that Fact

Ruling of August 3, 1909.

"If a copy of the application is attached to the policy and thereby made a part of the contract (Section 58), the policy should in every such case contain a provision that 'the policy and the application shall constitute the entire contract between the parties.'"

(See § 58, sub. 3 and references.)

Application Not to be Printed in Policy

Ruling of October 24, 1911.

"Subdivision 3 of new section 101 is in entire harmony with the provision of section 58, to the effect that the application may be made a part of the *contract*, but this does not imply that under either of those sections the application or a copy thereof may be printed in the *policy*. As you say, that is not required, does not seem to be contemplated by any statute, and probably it would not be permitted."

*Where Application is Made Part of Contract, Application Blank
Must be Filled Out and Submitted with Policy*

Ruling of January 18, 1912.

"Some months ago it became necessary to require that all policy forms submitted to this Department which contain a provision to the effect that the policy and the application constitute the entire contract should be accompanied in each case by a copy of such application, including the statements to the medical examiner, filled out completely with hypothetical answers."

Application Must Not be Included in Policy

Ruling of March 6, 1912.

"Your proposal to insert the words 'which includes' in place of the word 'and' in the first line of that section would make it read: 'This policy which includes the application therefor' and would not be in accordance with the fact, since the application is not included in the policy.

I am of the opinion that the proposed change in this section is objectionable, since it does not meet the requirements of sub. 3 of section 101 of the Insurance Law."

SUB. 4. AGE OF INSURED MISSTATED

*Policy Must Contain Specific Provision for Relief in Cases of
Misstatement of Age*

Ruling of August 3, 1909.

"The policy must contain a provision that if the age of the insured has been misstated, the amount payable under the policy shall be such as the premium paid would have purchased at the correct age. A promise on the part of the company to refund the excess premiums when the age of insured has been over-stated does not satisfy the requirements of the statute."

Promise of the Company in Above Case Not Sufficient

Ruling of August 7, 1909.

"The promise of the company to repay the excess premium when the age of insured has been overstated, does not satisfy the requirements of the statute."

Misstatement of Age Provision in Annuity Contract

Ruling of September 8, 1909.

"In the annuity forms, the provision in regard to misstatement of age does not quite answer the requirement of the statute (new section 101, sub. 4). It seems that the correct way to set forth such a provision in an annuity contract would be to say, substantially, that: 'If the age of the annuitant has been misstated in the application then the amount of the annuity payable under the policy shall be such as the premium paid would have purchased at the correct age of such annuitant,' with a suitable reference to the company's rates in force at the date of issue of the contract, and to annuity payments made on the contract prior to the discovery of the fact that the age of annuitant has been misstated."

Misstatement of Age Provision May be Omitted from Industrial Policies

Ruling of April 25, 1912.

"Replying to the inquiry in the latter part of your letter, the various provisions of section 101 of the Insurance Law are not held to apply to industrial policies, and there is no other provision in the law requiring a policy to contain a provision as to misstatement of age embodied in sub. 4 of section 101.

While some of the companies issuing industrial policies have voluntarily incorporated this provision, I do not consider section 101 broad enough to permit this requirement, and such policies, without a reference to the misstatement of age, have been approved by this Department."

SUB. 6. OPTIONS ON SURRENDER OR LAPSE

Ruling of August 3, 1909.

"The wording of this clause should follow the language of the statute 'after three full annual premiums shall have been paid.'"

NON-FORFEITURE OPTIONS*Waiver of Lapse or Forfeiture Provisions in Application*

(See ruling of Aug. 7, 1909, §, 88, sub. 18.)

Cancellation Clause in "Wife Insurance" Policy Disapproved

Ruling of February 1, 1910, by Counsel to the Department.

"The Life Insurance Company submits the following clause for approval:

'It is expressly understood and agreed that this policy shall become ipso facto null and void in the event of the cancellation, for any cause, of policy No....., issued by this company on the life of, the husband of the insured hereunder, and that all the benefits hereunder shall thereupon cease except as to paid up insurance under the nonforfeiture clause on the second page hereof.'

I advise against approving this clause; the company should carefully examine the circumstances surrounding the application for 'wife insurance' in the first instance, and so avoid the risk it attempts to cover by the clause quoted."

Surrender Value, Substandard Risk

Ruling of January 12, 1912.

"I note your inquiry concerning an endowment policy issued on a substandard risk, and whether in the case of lapse of such a policy after the payment of three annual premiums, the policy might not provide for paid-up insurance, omitting the provision for extended term insurance. On this point, you are advised that it is permissible to provide in such a policy for paid-up endowment insurance for a reduced amount, in the case of lapse and surrender after the payment of three annual premiums, provided the insured in his application shall state definitely his election to take such paid up insurance for a reduced amount, the policy in that case to contain a provision for such paid up insurance, in accordance with the terms of the application and omitting all reference to extended term insurance."

Basis of Values Should be Stated in Policy

Ruling of April 7, 1913.

"The Department suggested that the Company insert in the policy form a statement substantially as follows:

'The values set forth in this table are mathematical equivalents and are based on the American Experience Table of Mortality and% interest

(naming the rate of interest upon which reserves are based, either 3½% or 3%) less a surrender charge of not more than ——% (not more than 2½%) of the face of the policy until the completion of the..... policy year, at which time and thereafter there is no deduction made as a surrender charge.'

* * * * * * *

It seems that the proper place for incorporating this statement in your policy would be in connection with the paragraph entitled 'Options on Surrender or Lapse' and immediately above the 'Table of Values.'

Statement of Maximum Surrender Charge

Extract from letter dated January 13, 1914, from the Superintendent to the Phoenix Mutual Life Insurance Company.

"I have given careful consideration to the point set forth in your letter of the 3d inst. and I am of the opinion that a form of policy which says that: 'Such cash value at the end of the fully paid policy year is the then terminal reserve, in whole number of dollars for each one thousand dollars of insurance under this policy' etc. is not so satisfactory as would be a provision stating that beginning with a certain policy year and thereafter the amount of the surrender charge shall not exceed one tenth of one per cent. of the amount insured."

Surrender Charge, Industrial Policies

Extract from letter dated January 29, 1914, from the Superintendent to the Prudential Insurance Company of America.

"I am of the opinion that your industrial forms are satisfactory as they are now phrased, and I appreciate the fact that the surrender charge under such policies is an insignificant amount, and in most cases the advantage seems to be in favor of the insured, since more than the entire reserve is given, under your practice of treating four days and more as a full week."

Dividends Applied to Payment of Premiums

Ruling of September 19, 1912.

"Certain companies now provide in their policies, issued since January 1, 1910, when new section 101 of the Insurance Law be-

came effective, for the payment of premiums thereon from the accumulated dividends, but the law of this State does not require companies to insert such a provision in their policies, and I am of the opinion that a company cannot be compelled to do what you ask unless the policy contains a provision to that effect."

SUB. 7. POLICY LOANS

Policy Loan Provision Should State a Definite Rate of Interest

Ruling of August 7, 1909.

"The provision in regard to loans should state definitely the rate of interest at which loans will be made to the owner of the policy. Section 101, sub. 7 requires that this provision recite that loans on the policy will be made 'at a *specified* rate of interest.'"

Idem

Ruling of August 9, 1909.

"The statute (sec. 101, sub. 7) requires that the policy shall contain a provision stating that loans will be made 'at a *specified* rate of interest.' It is not enough to say in the policy that: 'The rate of interest charged shall not exceed six per centum per annum.'"

(See § 97, "Sub. 10. Loan or Advance to agent.")

Idem

Ruling of October 7, 1912.

The Department ruled that a "policy must contain a provision that loans will be made at a *specified* rate of interest, and that the rate of interest can be specified in no way except by naming a definite rate of interest at which loans will be made."

Idem

Ruling of May 6, 1913.

"In the paragraph at the top of the third page, entitled 'Loans' it is provided that a loan will be made upon the sole security of the policy 'at a rate not to exceed 6 per cent. interest

per annum.' The statute requires that the rate of interest at which loans will be granted must be a '*specified rate*.' If you wish the loan provision in your policy to specify 6 per cent. as the rate of interest upon such loan, you should strike out the words 'not to exceed' at the beginning of the second line of that paragraph and insert the word 'of' in place thereof."

*Deduction by Company in Advance of Six Per Cent. Interest on
Loan not Usury*

Opinion of Counsel to Department, dated May 12, 1914.

"The following question was submitted to the Department:

'Can a company doing an insurance business in this State make a loan on its policy, deducting in advance interest calculated at the rate of 6 per cent. per annum without being guilty of usury?'

The question submitted must be determined by the term for which the loan is made. It is the settled rule in short term loans that interest may be reserved in advance at the highest legal rate without rendering the loan usurious. If the loan is for a longer period than one year, deducting interest at the highest legal rate is held to be usurious.

Judge Denio, in the case of *Marvine v. Hymers*, 12 N. Y. 223, states clearly what seems to be still the law on this subject as follows:

'It is well settled that upon the discounting of commercial paper not having a longer time to run to maturity than the notes and bills which are usually discounted by bankers, interest on the whole amount of the principal agreed to be paid at maturity not exceeding legal rate may be taken out in advance.'

Upon the authority of the foregoing decision and prior and subsequent cases on this point in this and other jurisdictions, I advise that the Niagara Life Insurance Company can legally charge the highest legal rate of interest and deduct the said interest at the time of making the loan."

Words "At Any Time" Should Not be Omitted from Loan Provision

Ruling of February 29, 1912.

"If you will refer to sub. 7 of section 101, you will note that the statute requires that a policy of life or endowment insurance shall contain: 'A provision that after three full years' premiums have been paid, the company *at any time* while the policy is in force etc.' I am therefore of the opinion that the words 'at any time' should not be omitted from the loan provision."

Promissory Note Must Not be Issued as Additional Security for a Policy Loan

Ruling of January 4, 1912.

"It is noted that the first part of your form (658) is a negotiable promissory note, and there is contained in it nothing which connects it with the policy loan, thus making it possible for the note to be detached from the loan agreement below it and placed in circulation as a negotiable commercial paper. The note, whether retained by the company or placed in circulation as commercial paper, is in effect security in addition to the policy upon which the loan is made, and under which the policy is not the 'sole security' for the loan.

I am of the opinion that your policy loan agreement should be amended by eliminating the note and all reference to a note or to any security other than the policy upon which the loan is made."

SUBS. 7 and 8. POLICY LOANS

What Headings for first Column of Table of Values in Life Policies are Lawful, Footnote, When Necessary

Extract from letter of the Superintendent, dated November 15, 1909, to Manhattan Life Ins. Co.

"The matter of the proper heading for the first column of the Table of Values in the forms of life insurance policies has been the subject of no little thought because of the variety of ways in which it has been presented.

I have therefore submitted to the Counsel to the Department,

the question as to headings for this column which seem to be acceptable and in accordance with the requirements of the Insurance Law of New York, section 101, subdivisions 7 and 8, and the following is a copy of the memorandum of his opinion thereon:

'The policy must set forth, in the language of the *Loan* clause and in the table attached, that the *loan* is available 'after three full years' premiums have been paid.

Expressions in the heading of the table are acceptable where the proper loan value is set forth on the line after '3' (meaning years) as,

(a) 'After payment of premiums for.'

(b) 'Number of years premiums paid.'

(c) 'After policy has been in force,' provided the 'Loan value' column is explained by foot note, stating that the loan value set forth in the table is available *during* the third year after premiums for that year are paid.

(d) 'At end of' provided the same footnote explanation is made as in 'c' above.

To this it may be added that forms (a) and (b) are the ones which are more especially approved, although form (c) or form (d) will be accepted.

The foot note, if used, should state in substance, that: 'The loan values,' provided for in the above table, for the end of policy-years can be obtained (less interest) during such policy-years, as set forth in the above clause entitled 'Loans.'

In case the table contains loan values opposite '2' (meaning years) the column may bear the heading: 'After policy has been in force' or 'At the end of year,' provided the values are equal to or greater than the values required by the terms of section 101, subdivision 7 and are made available during the policy-year."

Loan Values in Single Premium Policies to Begin First Year

Ruling of September 11, 1912.

"Form 705, disability, participating, single premium life or endowment, should be amended in the following particulars:

1st. Clause 11, entitled 'Loans' on page 3, should be amended so as to provide loans for the first policy year, inasmuch as more than three full annual premiums have been paid on this policy at its inception. Sub. 7 of section 101 requires that in the case of such a policy, loan values must be available during the first policy year, subject to the company's right to defer loans for a period not exceeding six months."

Idem

Ruling of November 7, 1912.

"Second. Line 36, strike out the words 'after three full years.' Sub. 7 of section 101 requires that policies shall provide loan values 'after three full years premiums have been paid,' and since in the case of a single premium policy *more* than three full years' premiums are paid at the inception of the policy, loan values should be available forthwith, subject to the conditions which may be imposed under said sub. 7.

Fourth. It follows from point second, above, that in the 'Table of Loan and Surrender Values' loan values should be shown for the first and second policy years."

When No Surrender Charge is Made, Tabular Value Should be Carried to Cents, and Extended Term to Days

Extract from letter dated December 19, 1913.

The Department ruled that: "If a life insurance policy contains a statement to the effect that after a certain policy year there will be no surrender charge, that promise must be fulfilled by showing in the table of loan and surrender values the full reserve in dollars and fractions of a dollar in the column of loan values for those years in which no surrender charge is made, and opposite such loan values in the column of paid-up extended insurance the full term of extended insurance, in years and days, which the full reserve, applied as a single premium, will purchase according to the table of mortality and rate of interest adopted by the company."

SUB. 10. REINSTATEMENT

Policy Should Contain Reinstatement Provision

Ruling of August 3, 1909.

"The policy shall contain a provision that the policyholder shall be entitled to have the policy reinstated at any time within three years from the date of default and should follow the wording of the statute in regard to evidence of insurability, payment of overdue premiums and the rate of interest thereon."

*Policy May State That Rate of Interest on Premiums in Default
Shall not Exceed Six Per Centum Per Annum*

Ruling of November 9, 1909.

"The rate of interest on premiums in default, in case of an application for reinstatement, may be set forth in the provision in the policy which relates to reinstatement by saying that such interest shall be 'at a rate not exceeding six per centum per annum.'"

SUB. 11. APPLICATION TO SINGLE PREMIUM POLICIES

Ruling of December 31, 1909.

"A certain company asked:

'Which of the provisions that are required to be made a part of other policies may be omitted from a paid-up policy to be issued in exchange for a premium-paying policy, in fulfillment of its conditions?'

The ruling thereon was as follows:

Provisions 1, 2, 4, 6 and 10 of section 101 are not applicable to such a policy.

Provision 3 is applicable only as to the first part thereof, since there is no application.

Provision 5 may apply, or it may not apply. It applies if the paid-up policy is participating and if it is non-participating it does not apply. If the paid-up policy is non-participating the fact should be stated plainly on the face of the policy.

Provision 7 should be modified by omitting any reference to premium payments, and as thus modified the policy should provide for loan values not less than those specified in the statute, which loan values shall be available at any time, subject to the company's right to defer such loans for not exceeding six months and to collect interest thereon in advance.

Provision 8 is not applicable except as to the loan values. Loan values should begin with the first policy-year.

Provision 9 may apply, or it may not apply. If the original policy provided for installment payments, doubtless the paid-up policy should contain the same provision unless the policyholder waives that feature when taking out the paid-up policy. Or, in case the original policy did not contain the installment feature, the company might, upon the request of the policyholder, include the installment feature in the paid-up policy and the table of installments would then be required. That provision is thus largely under the control of the company.

While it seems that, as above noted, provision 2 is not directly applicable it is thought the policy should recite that it

shall be incontestable from its date of issue except for violation of the conditions of the policy relating to military or naval service, in time of war."

NOTE.— The above rulings are intended to cover the case of a paid-up policy issued at the termination of the premium-paying period of a limited premium contract and might require some modifications in the case of a paid-up policy issued on the surrender of a policy which had lapsed for non-payment of premiums.

Section 102—Domestic Companies Issuing Participating Policies Not to do a Non-Participating Business

SUB. 1. DOMESTIC CORPORATIONS RESTRICTED AS TO CHARACTER OF BUSINESS

Domestic Company Cannot do Business on Both Plans at one Time

Extract from letter dated June 20, 1906, from the Attorney-General to the Superintendent of Insurance.

"A domestic stock life insurance company can change from non-participating to a participating business, but at any particular time must do one or the other."

Foreign Life Insurance Companies Heretofore Licensed May do Both Participating and Non-Participating Business

Extract from letter dated September 1, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that foreign life insurance corporations heretofore licensed may hereafter be licensed if they do both a participating and non-participating business."

(See § 83, sub. 7; also § 103, sub. 11-c.)

(See Op. A. G. Sept. 1, 1906, overruling Op. June 20, 1906.)

Non-Participating Company after January 1, 1907, May Not Use Participating Forms

Extract from letter dated November 20, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"On the understanding that your company is to do business on the non-participating basis on and after January 1, 1907, I

am of the opinion that after that date changes from non-participating to participating forms may not be made and that changes from participating to non-participating forms or changes 'to different forms in the same branch' may be made. The changed policy bearing the date of issue of the original policy should be written on the form in use at the time the original was issued."

Old Lapsed Participating Policy May be Reinstated After January 1, 1907

Extract from letter dated December 13, 1906, from the Superintendent to Provident Savings Life Assurance Society.

"Your first question is:

(1) 'In event of a participating policy having lapsed and application being made for reinstatement after January 1, 1907, would we be entitled to reinstate the old policy, giving to the assured the right to participate again in the surplus of the society?'

To this my answer is in the affirmative."

Companies May Issue Paid-Up Non-Participating Policies on Deferred Dividend Forms Issued Prior to January 1, 1907

Extract from letter dated February 19, 1907, from the Superintendent to The Equitable Life Assurance Society of the United States.

"* * * I am of the opinion that in continuing as heretofore to issue paid-up non-participating life insurance upon the different forms of deferred dividend policies issued prior to January 1, 1907, you are simply carrying out the provisions of those contracts, and are not doing business upon the non-participating plan within the meaning of section 102 of the Insurance Law."

Old Participating Policy May be Changed for Another Form of Participating Policy

Extract from letter dated December 13, 1906, from the Superintendent to Provident Savings Life Assurance Society.

"Your second question is:

(2) 'In event of a policyholder desiring to change the form of his policy after January 1, 1907, from a participating form, could we 'issue' a new

form with the right to participation on the plan desired, or would it be necessary for us to refuse such applications for change unless they were changes to non-participating forms ?'

To this my answer is, a participating policy issued prior to January 1, 1907, may after that date be exchanged for another form of participating policy written on the original age and date of issue."

Company on Non-Participating Basis Not to Reinsure Participating Policies

Extract from letter dated July 26, 1907, from the Attorney-General to the Superintendent of Insurance.

" * * * You state that under date of November 14, 1906, the Actuary of the Metropolitan Life officially advised your Department that, 'after the first day of January, 1907, this company will go exclusively on a non-participating basis.' * * *

I am, therefore, of the opinion that any insurance contracts of other companies assumed by said company on or after January 1, 1907, must be exclusively non-participating and that they are forbidden by the clearest implication of law to enter into any participating contracts, even though such contracts were issued by such other companies prior to the date mentioned."

Non-Participating Company May Take Over Only Non-Participating Policies

Where a life insurance company having exercised its option and elected to go exclusively on a non-participating business, it is incompetent for that company to take over and assume participating contracts issued by other companies.

(See Opinion of Attorney-General, October 19, 1908.)

NOTE.—But see chapter 369, Laws of 1911, which provides in effect that the section shall not apply to policies of reinsurance.

A Company Has No Right to Change from a Participating to a Non-Participating Basis

On September 24, 1909, the Attorney-General advised the Superintendent of Insurance that a non-participating company

which has changed to do a participating business cannot thereafter return to a non-participating basis.

(See Opinion of Attorney-General.)

Legal Reserve Non-Participating Life Insurance Company Transacting Business Exclusively on Non-Mutual Basis May be Admitted to This State

Extract from letter dated February 1, 1911, from the Superintendent to Mr. Archibald H. Taylor, Baltimore, Md.

" * * * You ask:

'Will you please inform me if an admitted legal reserve non-participating life insurance company can write business in the State of New York?'

A stock life insurance corporation of another State, transacting its business exclusively upon a non-mutual basis, may be admitted to do business in this State, and thereafter shall issue only non-participating policies."

SUB. 2. EXCEPTION, ANNUITIES

Term "Annuities" Includes Survivorship Annuities

Extract from letter dated December 20, 1906, from the Superintendent to New York Life Insurance Company.

"You write:

'On behalf of the New York Life Insurance Company, I am instructed to ask for your opinion as to whether the term 'annuities' as used in section 102 of the Insurance Law includes survivorship annuities.'

In my opinion the term 'annuities,' as used in section 102, of the Insurance Law does include survivorship annuities."

SUB. 3. INTERPRETATION AND APPLICATION

Company May Make Non-Participating Dividend Additions to Policies Issued Prior to 1907

Extract from letter dated March 12, 1907, from the Superintendent to The Manhattan Life Insurance Company.

"I am of the opinion that you can properly continue the practice of making dividend additions on the non-participating basis

to the old annual dividend policies on your books. This also applies to the paid-up or extended insurance given for the surrender of your ten-year terms issued prior to January 1, 1907. Such paid-up or extended insurance policies should preferably be carried on the original numbers as that will tend to lessen errors in valuation."

Meaning of Word "Issued" as used in §§ 83 and 102 Synonymous With "Written" as used in § 103

(See § 83, sub. 1.)

Section 103 — Annual Reports of Life Insurance Corporations

SUB. 1-G. REPAIRS AND IMPROVEMENTS

Accounts Should be So Kept as to Separate Repair and Improvement Items from Other Expenses on Real Estate

Extract from letter dated December 26, 1906, from the Superintendent to The Manhattan Life Insurance Company.

"Your letter of the 24th inst., referring to Schedule A of Part I of the life statement blank, is received. The subheading 'Expended for repairs and improvements' under 'Operations during 1906' does not call for taxes or running expenses of home office building. This subheading is incorporated in the blank in conformity with an express provision contained in the amended Insurance Law, section 103, subdivision 1. 'Repairs and improvements' cannot be more accurately explained in the judgment of this Department by the use of any other words. The accounts of your company should be so kept as to separate repair and improvement items from your other expenses on real estate. We do not suppose that you will desire a statement as to what constitutes your 'gross income.' Your 'net income' will represent the difference between your gross income and all expenditures for repairs and improvements, taxes, water rents and running expenses of your office building."

SUB. 1-L. PURCHASES AND SALES OF REAL PROPERTY*Sale to Company on Foreclosure Brought by it Constitutes a Purchase Which Should Appear in Report*

Extract from letter dated January 14, 1907, from the Superintendent to The Travelers Insurance Company.

"In reply to your letter of the 12th inst., regarding proper return to be made by your company in Schedule A, Parts 2 and 3, as printed on page 10 of Part A of the annual statement life blank, you are advised that the foreclosure of a mortgage on a parcel of real estate passing the title to the company constitutes a purchase which should appear in Schedule A, Part 2, with a statement to the effect that it was a foreclosure.

Part 3 of this schedule is intended to show all parcels of real estate sold during the year. It is immaterial whether the property was acquired by direct purchase or through foreclosure proceedings."

SUB. 2. LOANS UPON SECURITY OF REAL PROPERTY*All Mortgages Acquired or Disposed of During the Year Must be Included in Annual Report*

Extract from letter dated January 23, 1907, from the Superintendent to New York Life Insurance Company.

"Your letter of the 22d instant, in the matter of the ruling of the Department that all mortgages acquired or disposed of during the year 1906 must be returned in the schedule carried in Part B of the annual report blank at pages 6 and 7, is received.

This schedule as put up in the blank follows the precise phraseology of subdivision 4 of section 103 of the amended Insurance Law and the Department is not prepared to sanction any changes or modifications therein.

We appreciate the fact that the modifications, as suggested in the memoranda covered in your letter, would make an exhibit much more appropriate for a showing of mortgage loans. Still, in order that uniformity may be maintained, it seems desirable that the present schedule as carried in the blank be used for the purpose of these returns, adjusting such returns in so far as possible to the schedule as set forth in the blank."

SUB. 3. LOANS OTHER THAN MORTGAGE LOANS OR POLICY LOANS*Collateral Loans Are Required to Appear But Once in Schedule Thereof in Annual Statement*

Extract from letter dated December 13, 1906, from the Superintendent to New York Life Insurance Company.

"In reply to your inquiry as to the proper manner in which to make a return of your collateral loans, as called for under the third subdivision of section 103 of the Insurance Law, the collateral loan exhibit appearing in Part B of the life annual statement blank at pages 2 and 3, you are advised that the Department holds that any collateral loan in existence at the beginning of the year 1906 and held at the close of said year should appear in subdivision 1 on page 2.

That any collateral loan made during the year 1906, and held at the close of the year 1906, should be returned in subdivision 2, page 2.

Any collateral loan in existence at the beginning of the year 1906, and discharged during 1906, should be returned in subdivision 3, page 3.

Any collateral loan made during the year 1906, and discharged during the year 1906, should appear in subdivision 4, page 3.

Following this ruling, you will note that there will be no duplication of the collateral loan returns. They will be required to appear but once in the schedule of collateral loans."

Collateral Loan Schedule: Collaterals Held on January 1, 1906, Represent Starting Point in Returns to Department, Changes Made Thereafter Must be Reported

Extract from letter dated January 25, 1907, from the Superintendent to New England Mutual Life Insurance Company.

"Your letter of the 24th instant, in reference to collateral loan schedule carried at pages 2 and 3 of Part B of our annual statement blank and asking for specific advices as to how 'certain loans' should be listed, is received. The case cited is as follows:

'Loan made August 1, 1902, renewed every six months; renewed August 1, 1905, for six months which established it on hand January 1, 1906; renewed again February 1, 1906, for six months and again for six months from August 1, 1906, leaving it outstanding January 1, 1907.'

It would seem desirable to quote the following from a letter addressed by this Department under date of December 13, 1906, to the New York Life Insurance Company:

'In reply to your inquiry as to the proper manner in which to make a return of your collateral loans, as called for under the third subdivision of section 103 of the Insurance Law, the collateral loan exhibit appearing in Part B of the life annual statement blank at pages 2 and 3, you are advised that the Department holds that any collateral loan in existence at the beginning of the year 1906 and held at the close of said year should appear in subdivision 1 on page 2.

That any collateral loan made during the year 1906, and held at the close of the year 1906, should be returned in subdivision 2, page 2.

Any collateral loan in existence at the beginning of the year 1906, and discharged during 1906, should be returned in subdivision 3, page 3.

Any collateral loan made during the year 1906, and discharged during the year 1906, should appear in subdivision 4, page 3.'

Any collateral loan of the character referred to in your letter in existence at the beginning of the year 1906 and held at the close of said year should appear in subdivision 1 on page 2. Any collateral loan made during the year 1906, of the character referred to in your letter, and held at the close of the year 1906 should be returned in subdivision 2, page 2. The date of the loan is the date that it was originally made by the company. In the column 'Maturity of Loan,' should be carried 'for six months with privilege of renewals.'

In your letter herewith acknowledged you state: 'We presume that no collateral changes prior to January 1, 1906, are to be listed.'

In reply: The collaterals held on January 1, 1906, for any particular loan represent the starting point for the return to the Department to be made in connection with such loan. Changes made in the collaterals after January 1, 1906, must necessarily appear."

SUB. 4. ALL OTHER PROPERTY

Schedule of all Property (Not Included in Real Estate, Mortgage or Collateral Loan Schedules) Owned by the Company; What to Appear Therein

Extract from letter dated December 11, 1906, from the Superintendent to New England Mutual Life Insurance Company.

"Further acknowledging your letter of November 19th, wherein you ask for a ruling of this Department as to certain returns to be made by a life company in the annual statement blanks furnished by us.

You first call attention to the schedule required in Part B of the Department blank at pages 6 and 7 called for under section 103, subdivision 4, of the amended Insurance Law. You refer to the heading of such schedule which reads as follows:

'Schedule of all Property (not included in Real Estate, Mortgage or Collateral Loan Schedules), owned by the Company or in which it has any interest, including all securities, whether or not recognized by law as proper investments, also all purchases and sales of Property (other than Real Estate), made during the year 1906.'

You then set forth in detail all the property and securities owned by your company or in which it has any interest, other than the classes specifically excepted above (Real Estate, Mortgage or Collateral Loan). The items mentioned by you are as follows:

'Stocks and Bonds (listed in Schedule D, Parts 1 and 2).

Premium Notes.

Loans on Policies.

Cash.

Interest due and accrued on Bonds.

Interest due and accrued on Premium Notes and Policy Loans.

Interest due and accrued on other assets.

Rents due and accrued.

Market Value of Bonds and Stocks over Book Value.

Uncollected and Deferred Premiums.'

To the first item: Stocks and Bonds, to which you call attention as being required to be returned in Schedule D, Part A of the statement blank. They are required to be returned in said Schedule D but not with that detail required in Part B of the life blank and for that reason a duplication will be neces-

sary as they must be returned in Part B in the schedule under discussion.

Premium Notes and Loans on Policies will not be required by the Department to be returned in this schedule. (Part B, pages 6 and 7, edition of 1906.)

Cash will not be required to be returned in this schedule.

The various Interest items: Rents and Market Value of Bonds and Stocks over Book Value, will not be required to be returned in this schedule. In connection, however, with bonds and stocks, as you have been advised, they will be required to be returned in this schedule as in such schedule appears the Book Value and Market Value.

Uncollected and Deferred Premiums will not be required to be returned in this schedule.

You continue with the suggestion that the record of 'Stocks and Bonds Purchased During 1906,' required in this schedule will, as you understand it, be practically a duplication of these securities furnished in the schedule on the preceding page of Part B, namely, subdivision 5, with the exception of the addresses of the payees. As you assume, the item on page 7, 'Outlay other than Cost,' will be the same as 'Amount of Commission' on page 4. It is true, as you suggest, that there is a duplication in these two schedules. It is unavoidable in preparing the blank in accordance with the amended Insurance Law. The two items referred to by yourself may be identical and they may not be. The item, 'Outlay other than Cost' may, at times, contain other items than the 'Amount of Commission.' In such cases these items will not, as you assume, be the same."

Adjustment for Bonds Bought at a Premium or at a Discount

Extract from letter dated January 18, 1907, from the Superintendent to Security Mutual Life Insurance Company.

"In further acknowledgment of your letter of the 14th instant regarding schedule of all property, etc., in the life statement blank, you are advised that the part which you quote: 'Actual cost with adjustment if made for amortization of premium and accrual of discount,' does not require adjustment for amortization

or accrual *unless made by the company*. We find, however, that it is the practice of practically all companies to make a suitable adjustment to bring the value of the bonds to par at their maturity. There are, however, two or three different methods of adjustment, the best of them, however, being as follows, taking bonds bought at a premium for our example:

‘Calculate the rate of interest earned upon the bond, taking account of the price at which it was purchased. When this rate of interest is obtained, determine the sinking fund which would wipe out the premium year by year until the bond matures.’

An actual example of this would make the matter much more clear. Let us take Boston city 4 per cent. bonds, which mature 1st of July, 1936, and which could have been bought on August 17, 1906, at a premium of \$30 per \$1,000 bond, plus accrued interest from 1st July to August 17. In order that the details of the transaction may be more readily seen we shall assume that a large amount has been bought, namely \$1,000,000. By the use of published interest tables, which your actuary doubtless has in his department, it is found that the rate of interest earned on this transaction is 3.83 per cent., making provision for the sinking fund to amortize the premium of \$30,000 at the same rate of interest (3.83). On the 31st of December, 1906, there would be four months and thirteen days accrued interest which, on an investment of \$1,030,000 would be \$14,574.21, which is partly interest and partly sinking fund. The accrued interest on the 31st December due to you is at the rate of 4 per cent. on \$1,000,000 for four months and thirteen days, and amounts to \$14,777.76. The difference between the last-mentioned amount and \$14,574.21 is the amortization or sinking fund (\$203.55). According to this method the amount which should appear in accrued interest is \$14,574.21, the balance of \$203.55 being charged to bond account. The book value of the bonds on the 31st December, 1906, is \$1,030,000 less the sinking fund, \$203.55, i. e., \$1,029,796.45, and the *actual cost* allowing for amortization of premium is the same.

We suggest that the foregoing plan be used by you in the future.”

SUB. 5-B. LEGAL EXPENSES*Schedule of Legal Expenses; What to Contain*

Extract from letter dated December 13, 1906, from the Superintendent to The Prudential Insurance Company.

“Your third inquiry reads as follows:

‘Schedule 5 of Part B, annual statement [edition of 1906]: ‘Legal expenses paid in 1906.’ In our legal expense account are charged expenditures in connection with matters before legislative bodies. Are we to include these payments in Schedule 5, also in Schedule 6, or enter them only in Schedule 6?’

In reply to your inquiry: On page 5 of part B is a schedule of legal expenses paid during 1906, in detail, required under section 103, subdivision 5, of the amended Insurance Law.

On page 8 of part B is a schedule of all expenditures in connection with matters before legislative bodies, officers, or departments of government during 1906 required under section 103, subdivision 6, of the amended Insurance Law, whether such expenditures be for legal services or otherwise.

These two schedules are prepared in accordance with the law. The officers of the companies in making returns in connection therewith are expected to comply with the spirit of the law.”

SUB. 8-B. PAYMENT OF MORE THAN \$5,000 TO ANY PERSON, FIRM OR CORPORATION*All Payments Over \$5,000 Including Payments Made to Agents in the Nature of Commission Must be Returned in Schedule G*

Extract from letter dated January 29, 1907, from the Superintendent to the Provident Savings Life Assurance Society.

“Your communication of the 28th instant, referring to the proper return to be made in Schedule G of Part A of the annual statement in connection with commission payments to agents amounting to over \$5,000, is received.

This question has had the careful consideration of the Department and under date of November 15th the Massachusetts department was advised in reply to the following inquiry: ‘Referring to schedule G, page 16, part A of the life blank (edition of 1906), which is designed to cover the requirements of paragraph

8 of section 103 of the New York law, permit me to inquire if your Department construes this schedule to include commission to agents if the amount paid to any one person during the year 1906 amounts to more than \$5,000'; that 'any person, firm or corporation acting as agents for a life insurance company receiving commissions of over \$5,000 in any year, must appear in Schedule G.' "

SUB. 8-C. SCHEDULE OF SALARIES PAID FOR AGENCY SUPERVISION

Companies Must Make Return of All Salaries Paid Any Representative Either at Home or Branch Office or Agency of the Company for Agency Supervision

Extract from letter dated December 13, 1906, from the Superintendent to The Prudential Insurance Company.

"Your first inquiry reads as follows:

'Schedule H of Part A, annual statement [edition of 1906]: Salaries paid in the year 1906 to any representative, either at the home office or in any branch office or agency of the company for agency supervision. Is it your intention that we include in this schedule salaries paid to our industrial department superintendents, assistant superintendents, clerks in their offices, and division managers at the home office having charge of the industrial superintendencies, and the salaries paid for agency supervision of our ordinary department to the agency managers at the home office and agencies, including clerks or local cashiers in our ordinary department managers' agency offices, or only the salaries paid for agency supervision of our ordinary department to the agency managers at the home office and agencies? When these salaries amount to over \$5,000, are they also to be included in Schedule G?' [Edition of 1906.]

In reply: Schedule H contemplates the return of all salaries paid in the year 1906 to any representative, either at the home office or any branch office or agency of the company for agency supervision. This contemplates a return showing the payment to an agency supervisor, not necessarily to a clerk employed by such an agency supervisor. There is no distinction made between the ordinary and industrial departments of companies doing both classes of business. The compensation to an agency supervisor in either of such departments should appear in the schedule.

* * * * * * * * *

Where the payment to an agency supervisor is over \$5,000, such payment should be returned in Schedule G. In such sched-

ule is a proper column showing the title of his position. Any agency supervisor, either at the home office or at any branch office or agency of the company receiving a compensation of less than \$5,000, should appear in Schedule H."

Salaries of Agency Supervisors, How Reported

Extract from letter dated January 21, 1908, from Superintendent to Mutual Life Insurance Company.

"You state that:

'We have in our service several men who are on the home office payroll, who aid and assist our vice-president and superintendent of domestic agencies in his general administrative supervision of the field. These men are designated as 'agency supervisors,' but being home office employees and not men who report to the managers, the question has arisen as to whether the expense for their salaries shall be reported under No. 19, 'Agency supervision, traveling and all other agency expenses,' or under No. 21, 'Salaries and all other compensation of officers, directors, trustees and home office employees.'

The district managers of this company are salaried employees, and are engaged in the supervision of agents and solicitors in their territories. They are assisted in this work by assistant managers and superintendents. Will you kindly decide whether the amounts paid for this service shall be reported under No. 18, 'Salaries and allowances for agencies, including managers, agents and clerks,' or under No. 19, 'Agency supervision, traveling and all other agency expenses.'

I am of the opinion that the compensation of the assistants to your second vice-president should be charged to item No. 21 of page 3 of the annual statement, and that of the district managers engaged in the supervision of agents should be charged to item No. 19 and also included in Schedule 'H' of the statement." [Edition of 1906.]

SUB. 9. LARGEST BANK BALANCES DURING EACH MONTH OF THE YEAR

Instructions for Making Returns on Blank

Extract from letter dated December 21, 1906, from the Superintendent to The Columbian National Life Insurance Company.

"Your letter of the 20th instant regarding Schedule E in Part A of the annual statement blank [edition of 1906], which calls for a showing of the largest balances carried in each bank

during each month of the year, is received. This schedule is required by the ninth subdivision of section 103 of the amended Insurance Law of this State, which reads: 'The largest balances carried in each bank or trust company during each month of the year.'

This necessarily means that all of the banks and trust companies with which you have deposits shall be listed and at any month in the year, where there is a balance deposited with such banks and trust companies, such balance shall be shown and that the day of the month when the largest balance is on deposit shall be the day used for the return.

Your suggestion that in totaling these balances, representing different days in the month, you have an improper showing, is a fact. In preparing the final revise of the blank this 'total' was through an inadvertence added. The return should be made in accordance with the instructions contained in this letter and the 'total' should be eliminated."

SUB. 10. CLAIMS RESISTED OR COMPROMISED

Adjustment of a Loss Due to Misstatement of Age When Treated as a Compromise Settlement

Extract from letter dated June 27, 1914, from the Superintendent to the Union Central Life Insurance Company.

"Your letter of * * * is received, inquiring if the adjustment of a loss because of misstatement of age should be treated as a compromise settlement. In reply permit us to say that if the amount of a death claim due under a policy is adjusted to the amount of insurance which the premium would purchase for the correct age of the insured, and if the claimants under the policy acknowledge such age and such adjusted amount to be the correct age and the correct amount due under the policy, in the opinion of this Department, such settlement would not constitute a compromise settlement. In case, however, the claimant under the policy does not freely acknowledge the age and the settlement to be correct and equitable, the settlement should be considered a compromise and should appear in schedule F."

SUB. 11-B. MARGINS UPON PREMIUMS

Mortality Gains by the Select and Ultimate Method, How Computed

Extract from letter dated January 27, 1908, from the Attorney-General to the Superintendent of Insurance.

" * * * The so-called 'instructions,' to which objection is made, are contained in Schedule Q of the annual statement forms, which schedule relates to the margins and expenses for the first year of insurance, and are as follows:

MORTALITY GAINS BY THE SELECT AND ULTIMATE METHOD

1. As to all policies where such gain computed by the formula exceeds the net premium (Am. Ex. $3\frac{1}{2}$ per cent.) less one-half vxq (Am. Ex. $3\frac{1}{2}$ per cent.), the excess of said net premium over said one-half vxq is to be taken as the gain; in other cases the full gain is to be taken.

2. As to all policies issued in 1907 and terminated in 1907, the proportionate part of the entire gain by the Select and Ultimate method, corresponding with the portion of the annual premium received, is to be included.

This schedule and the instructions accompanying it are prepared in accordance with the provisions of subdivision 11 of section 103 of the Insurance Law, as enacted by chapter 326 of the Laws of 1906. * * *

The obvious purpose of this requirement is to enable the Superintendent of Insurance to ascertain whether the limitation upon the amount which may be expended by life insurance corporations in procuring new business, contained in section 97 of the Insurance Law, has been complied with. * * *

The insurance companies * * * contend that this section prescribes the measure of a fund, the total of which may be used by them for the purposes enumerated, regardless of the provisions of any other section of the Insurance Law; that it is a limitation upon the total expenditure but is not a limitation upon the expenditure of any particular agent or as to any particular policy. This construction is directly contrary to the construction placed upon this section by the Appellate Division of the Supreme Court, Third Department, in the case of *Boswell v. Security Mutual Life Insurance Co.*, reported 119 App. Div. 723. * * *

It is the clear duty of this office, in advising a Department of the State government, to follow the judicially construed meaning

of legislative enactments. Sections 84, 97 and 103 of the Insurance Law in their present form were enacted by chapter 326 of the Laws of 1906, known as the Armstrong bill, and all must be construed and read together as they constitute one comprehensive scheme of remedial legislation. Under date of November 21, 1907, I submitted to you an opinion as to the construction of sections 84 and 97 of the Insurance Law and under the ruling in the Boswell case and the logical deductions therefrom, I see no reason to modify the views therein expressed. The first 'instruction,' as above quoted, is in conformity to that opinion and I believe it to be in accordance with the provisions of the statute.

As to the second 'instruction' above quoted, however, I am of the opinion that the same is not warranted by the statute. Section 97 expressly permits the use by the company of the aggregate amount derived from the 'total loadings' and from 'the present values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium, or installment thereof, has been received during said calendar year.' I can see nothing in this language permitting the limitation of these so-called gains to a 'proportionate part' thereof. The statute plainly says that the whole gain is available if any installment of the premium has been paid. The only limitation is that covered by my former opinion, namely, that there first must be set aside from the premiums received an amount sufficient to pay the cost of carrying the policy at select rates to the date when the next premium or installment thereof is due; and the whole of the balance of the premium actually received by the company would seem to be available to the company as a 'margin' under section 103, provided, of course, that such balance does not exceed the 'margin' permitted, that is, the aggregate of the loadings and the assumed gain. * * *

Interpretation of the Language of Section 97 of the Insurance Law as Applied to Schedule "Q"

Extract from letter dated October 23, 1908, from the Superintendent to J. H. Woodward, Auditor and Assistant Actuary, New York Office Insurance Department, State of New York.

"Your favor of the 21st instant relating to the interpretation which is to be placed by the Department upon the language of

section 97 of the Insurance Law, has been received. I quote from your letter the following:

'Under the instructions appended to Schedule Q covering the business of 1907, as well as under various Department rulings, the information to be set forth therein is upon the basis of premiums on policies issued in 1907, which were either collected in 1907, or outstanding or deferred on December 31st of that year. All items received or disbursed in 1907, which pertained to policies issued in 1906, were excluded.

If this schedule were put on the so-called cash basis for the year 1908, it would of course mean that the loadings on all first-year premiums actually collected in 1908, whether or not the policy was issued in the year previous, would be included in the calculation and that loadings on semi-annual and quarterlies outstanding or deferred December 31, 1908, on issues of 1908, would be excluded. As to mortality gains, I suppose it would mean that a full year's mortality gain should be included on all policies where the first premium or instalment thereof is actually collected in 1908, using the proportional gain in cases of terminated policies. The commissions would be those paid or to be paid on all premiums actually collected in 1908 and the medical fees those payments in 1908 which pertain to new business.'

The ruling contained in my letter to the Metropolitan Life Insurance Co., dated July 9, 1906, and the instructions appended to Schedule Q covering the business of 1907, were worded to fit the then circumstances of the case, and with the knowledge that they would necessarily have to be modified after the first year.

I would advise you that, beginning with the business of the current year, Schedule Q should be made up in accordance with the second paragraph quoted from your letter."

Interpretation of the Language of Section 97 of the Insurance Law as Applied to Schedule "Q" for 1908

Extract from letter dated April 29, 1908, from the Superintendent to The Travelers Insurance Company.

"Your favor of the 23d inst. was received by due course of mail; in full it reads as follows:

'In the instructions for making up Schedule Q of the annual life statement for 1907, your Department stated that the calculations for expenses and allowances on first year's business were to be based upon policies issued and paid for in 1907. This would mean that a policy issued in 1906 and paid for in 1907 was not to be included. I assume that your ruling was based upon several points in the Insurance Law of 1906, among others the first part of section 97 (Limitation of expenses): 'No domestic life insurance company shall in any calendar year after the year 1906,' also in section

84 a part of the third sentence is as follows: 'Provided that the legal minimum valuations of all contracts issued on and after the first day of January, 1907, shall be,' etc. I conclude, therefore, that you used the words 'issued and paid for' because you did not think the law should apply in any way to any period preceding 1907. Inasmuch as the instructions restricted to business issued and paid for in any particular year would mean that if applied to 1908, or to any future year, the business issued in one year and paid for in another year would be entirely left out, and inasmuch as limitation of expenses in section 97 refers to 'the policies on which the first premium or instalment thereof has been received during said calendar year,' I assume that in making up Schedule Q for the year 1908 and in the interpretation of section 97 in general, as far as first year's expenses are concerned, those policies are to be considered on which the first premium or first instalment thereof has been received during said calendar year; and I assume that the calculations are not to be confined to policies issued and paid for during the year as in the case of 1907.

'I shall be glad to know if this is your interpretation of the law.'

To this my reply is in the affirmative."

*Mortality Gains by Select and Ultimate Method of Valuation in
Schedule "Q"*

Extract from letter dated June 10, 1909, from the Attorney-General to the Superintendent of Insurance.

* * * * *

"I advise you that under the decision of the Court of Appeals (Boswell v. Security Mutual Life Insurance Co., 193 N. Y., p. 465) this section (97 of the Insurance Law) is to have no effect whatever upon contracts with agents entered into before its passage. * * *

The mortality gains (by Select and Ultimate method) reported in Schedule Q of the annual report, need not include such gains acquired through an agent holding a contract not subject to section 97, because they have no effect one way or another upon the amount which the company can expend for new business.

In considering this question it should be borne in mind that not every contract which antedates the enactment of this section (97) is excluded from its limitations. Only those contracts so entered into which have a definite period to run, which has not yet expired, are so exempt."

(See the opinion in full, beginning at page 60, Part V of 1909.)

SUB. 11-C. FOREIGN CORPORATIONS

Separate Statement Required in Reporting Participating and Non-participating Business

Companies now issuing non-participating policies which in the past issued both participating and non-participating, required to make separate statement of profits and losses with reference to participating and non-participating business in annual report.

(See Op. A. G. Sept. 7, 1906.)

Separate Statement of Profit and Loss, etc., on Participating and Non-Participating Policies Issued by Foreign Corporations Must be Made

Extract from letter dated September 28, 1906, from the Superintendent to The National Life Insurance Company.

"The language of the subdivision is mandatory, and your company will be required to make a separate statement of profits and losses, etc., with reference to your participating and to your non-participating business."

Separate Statement of Profit and Loss Exhibit on Participating and Non-Participating Policies Not Necessary When Foreign Company Has Discontinued Use of One Form

Extract from letter dated January 8, 1907, from the Superintendent to The Mutual Benefit Life Insurance Company, referring to section 102 and subdivision 11 of section 103.

"Reading these provisions together I am of the opinion that foreign life insurance companies of other States formerly issuing both participating and non-participating policies, and which on the 1st inst. discontinued issuing one of these forms, will not have to make the 'separate statements' mentioned in the subdivision referred to above."

Statute Does not Distinguish between Mutual and Stock Companies

In the application of section 103 no distinction is made between a mutual life insurance company doing participating business exclusively, and a stock company doing a non-participating business exclusively.

(See Op. A. G. Jan. 27, 1908.)

SUB. 12. GAINS ON POLICIES WRITTEN AFTER 1906

Meaning of the Word "Written" in Section 103, and "Issued" in Sections 83 and 102

(See ruling of Jan. 8, 1907, § 83, sub. 1.)

SUB. 15. ANNUAL STATEMENT OF SURPLUS ON DEFERRED DIVIDEND POLICIES REQUIRED

Extract from letter dated July 13, 1906, from the Superintendent to the Prudential Insurance Company of America.

" * * * Section 103, subdivision 15, provides for an annual 'statement showing any and all amounts set apart or provisionally ascertained or calculated or held awaiting apportionment upon policies with deferred dividend periods longer than one year.' "

Section 110 — Incorporation

Automobile Collision Insurance Prohibited Under Section 110

Extract from letter dated March 14, 1908, from the Attorney-General to the Superintendent of Insurance.

"It is my opinion that such insurance is permitted by companies incorporated under section 70 and (or) section 150, but not by those incorporated under section 110."

Section 141 — Rate-Making Associations*Group Insurance; When Reduction in Rates Constitutes a Discrimination*

Extract from letter dated January 28, 1913, from the Superintendent to the Standard Accident Insurance Company.

“Supplementing our letter to you under date of the 7th inst., and in reply to your communication of Dec. 31st, you are advised that it is our opinion that the insurance of all of the employees of a factory at a uniform rate, calculated to represent the fair average of risk presented by the individual group, would constitute a discrimination in favor of one individual and against another in the group which would come within the prohibition of section 141 of the Insurance Law.”

(See also § 89, sub. 4.)

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ABSTRACTS
OF
REPORTS ON OFFICIAL EXAMINATION

THE following abstracts of reports on examinations are arranged alphabetically in groups, to wit.:

Stock and Mutual Fire Insurance.

Marine Insurance.

Co-operative Fire Insurance.

Lloyds Associations.

Stock and Mutual Life Insurance.

Casualty, Fidelity and Surety, and Credit Insurance.

Workmen's Compensation Corporations.

Co-operative Life, Accident and Health Insurance.

Fraternal Beneficiary Insurance.

Title Insurance.

Fire Insurance Companies

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ABEILLE FIRE INSURANCE COMPANY — UNITED STATES BRANCH

PARIS, FRANCE

Verification of capital statement as of March 31, 1914.

Report dated June 23, 1914.

Examiner: Richard A. Elmer.

The Abeille Fire Insurance Company was founded and authorized by imperial decree on the 27th day of May, 1857, under the title of "L'Abeille Societe anonyms d'assurance a primes fixes," and was converted into a joint stock company under the provisions of the Laws of 1867. In March, 1911, the company entered the United States under the provisions of section 27 of the Insurance Law of the State of New York, making the statutory deposit with the Superintendent of Insurance of the said State, and appointing the Bankers' Trust Company of New York city the United States trustee. The corporation of Starkweather and Shepley, of Providence, Rhode Island, was appointed United States manager.

The company operates in the United States solely as a reinsuring company, assuming two-eighths of the business written by the United States branches of the Phenix and Nationale Fire Insurance Companies of Paris, France. The United States manager, who is also the manager of the Phenix and Nationale, conducts the affairs of the company in the United States under the same conditions and arrangements as the affairs of the two aforesaid companies are conducted. The said arrangements are described in detail in the reports on examination of these two companies under current date.

Capital Statement

The financial condition of the company on March 31, 1914, under the capital statement requirements, as provided for in section 27 of the Insurance Law of the State of New York, was found to have been as follows:

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<i>Assets</i>		
	<i>Par value</i>	<i>Market value</i>
Securities deposited with insurance departments or with chief financial officers in the various states of the United States.....	\$300,000 00	\$307,000 00
Securities vested and held in the United States by trustees	210,000 00	192,700 00
Total gross assets in the United States deposited with insurance departments and trustees.....		\$499,700 00
<i>Liabilities</i>		
Unpaid losses		\$25,391 78
Unearned premium reserve.....		138,731 36
All other liabilities (excluding commissions and brokerage) ..		2,500 00
Total liabilities		\$166,623 14
Capital under section 27 of the Insurance Law.....		333,076 86
Total (being the aggregate assets).....		\$499,700 00

It will be noted in the foregoing statement that the market value of the securities deposited with insurance departments and trustees amounts to the sum of \$499,700, and is \$300 less than the minimum \$500,000 required by law. I find, however, that during May of this year \$11,000 was cabled to the United States manager from the home office of the company for the purpose of investing in securities, and the said amount will be ample to remove the above noted deficit.

General Statement

The financial condition of the company under the general form of statement on March 31, 1914, was found to have been as follows:

<i>Ledger Assets</i>		
Book value of bonds.....		\$502,200 00
Deposited in trust companies.....		37,502 60
Balances due from reinsuring companies.....		63,067 51
Total ledger assets		\$602,770 11
<i>Non-Ledger Assets</i>		
Accrued interest		4,933 32
Undivided interest in cash held by Phenix and Nationale....		7,539 85
Gross assets		\$615,243 28

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$2,500 00
Total admitted assets	<u>\$612,743 28</u>

Liabilities

Unpaid losses and claims.....	\$25,391 78
Unearned premium reserve.....	138,731 36
Due for commissions	19,715 96
Estimated amount accrued for taxes, expenses, etc.....	<u>2,500 00</u>
Total	\$186,339 10
Minimum deposit capital.....	\$200,000 00
Surplus	<u>226,404 18</u>
Surplus to policyholders	<u>426,404 18</u>
Total liabilities	<u>\$612,743 28</u>

Securities Owned

The securities deposited with the various States were verified by means of certificates obtained from the proper State officials, and it will be noted that the said deposits are held for the protection of all the policyholders of the company in the United States. The securities vested and held by the United States trustee, the Bankers' Trust Company of New York, were examined and verified at the office of the said trust company in the city of New York.

Cash Owned by Company

The company has an account with the Bankers' Trust Company of New York, and the balance on March 31, 1914, amounting to \$37,502.60, was verified in the customary manner and reconciled with a certificate from the banking institution.

As previously noted in this report, the business of the company in the United States is entirely reinsurance of the United States branches of the Phenix and Nationale Fire Insurance Companies. From an examination of these companies under current date, it was found that certain moneys representing agents' balances and the property of the Abeille were on deposit in the Industrial Trust Company in the accounts of the Phenix and Nationale. In order to adjust this matter there was charged as a liability in each of the financial statements of the two said companies the amount due

the Abeille, and there has been credited as a nonledger asset in the foregoing financial statement of the Abeille the following item :
 " Undivided interest in cash held by Phenix and Nationale, \$7,539.85."

Annual and Quarterly Statements

The company maintains an accounting system that is adequate to its needs, and the books and records are well kept, but there appears to be some confusion in compiling the annual and quarterly statements submitted to this department.

As explained in detail in the examinations of the Phenix and Nationale, the method of computing the liability for commissions is incorrect and the company has failed to report the actual cash owned. The recommendations in the said reports in regard to future statements to this Department are equally applicable to this company, and are as follows:

- (a) Report the actual cash owned.
- (b) Correct the errors noted in this report on the compilation of the premium reserve.
- (c) Ascertain and report the correct liability due for commissions.

It would also appear advisable, in view of the close reinsuring arrangements among the Abeille, Phenix and Nationale, that the accounts be closed and a settlement be made between the various companies at least once a year.

BRITISH AMERICA ASSURANCE COMPANY —
 UNITED STATES BRANCH

TORONTO, CANADA

Verification of capital assets October 1, 1913.

Report dated October 2, 1913.

Examiner: William H. Derrick.

<i>Capital Assets</i>		
	<i>Par value</i>	<i>Market value</i>
Securities deposited in insurance departments, "Exhibit A".....	\$366,300 00	\$351,872 00

	<i>Par value</i>	<i>Market value</i>
Securities vested and held in the United States by trustees, "Exhibit B".....	\$951,693 34	\$949,421 00
Cash vested and held in the United States by trustees	1,047 37	1,047 37
Total gross assets in the United States deposited in insurance departments and held by trustees.....	\$1,319,040 71	\$1,302,340 37

BUFFALO GERMAN INSURANCE COMPANY AND BUFFALO COMMERCIAL INSURANCE COMPANY

BUFFALO, N. Y.

Examined on merger.

Report dated March 23, 1914.

Examiner: Charles H. Gardner.

Whereas, The undersigned, Charles H. Gardner, a disinterested person specially appointed for the purpose by the Superintendent of Insurance, having made an examination of the Buffalo German Insurance Company and the Buffalo Commercial Insurance Company, with offices for the transaction of business located in the city of Buffalo, State of New York, under date of December 31, 1913, as appears in a report on examination of both corporations annexed hereto; and

Whereas, The said two corporations, being domestic fire insurance corporations, have taken proceedings to merge into one corporation under the name of the Buffalo German Insurance Company, and to become vested by such merger with all the assets and assume all the liabilities of the above named merging corporations:

Now, therefore, I do hereby certify and report under oath that the said examination shows said corporations at the close of business on date of December 31, 1913, to have been in possession of total admitted assets in the sum of three million three hundred sixty-eight thousand two hundred eighty-four and 67/100 (\$3,368,284.67) dollars, and to have liabilities except capital amounting to one million nineteen thousand two hundred twenty-six and 45/100 (\$1,019,226.45) dollars, as particularly set forth in a

combined financial statement and as further shown in separate financial statements of both corporations hereto annexed.

I hereby further certify that the stockholders of both companies at meetings duly called for such purpose, in accordance with the provisions of statute, ratified by the required vote the terms of the merger agreement.

I hereby further certify that all proceedings called for by law looking to the merger of the said two corporations have been properly taken.

The method of arriving at the respective book values, together with the combined values, and the number of shares of stock of the merger corporation receivable in exchange for shares of stock of the merging corporations is set forth below:

Buffalo German Insurance Company

Capital	\$200,000 00	
30% reserve (\$677,584.65)	203,275 40	
Surplus	1,812,963 38	
Total value	\$2,216,238 78	Book value= \$1,108.11939

Buffalo Commercial Insurance Company

Capital	\$200,000 00	
30% reserve (\$264,887.95)	79,466 38	
Surplus	136,094 84	
Total value	\$415,561 22	Book value= \$207.78061

Combined value Buffalo German.....	\$2,216,238 78	
Combined value Buffalo Commercial.....	415,561 22	
	\$2,631,800 00	Book value= \$657.95

Book value Buffalo German.....	\$1,108.11939	
Book value Buffalo Commercial.....	207.78061	

Book value combined..... \$657.95

Buffalo German book value.....	1,108.11939	
	657.9500000	\$168.42

Buffalo Commercial book value.....	207.78061	
	657.9500000	\$31.58

Each Buffalo German share receives \$168.42 New Company stock of book value of \$657.95, to a value of \$1,108.11939 or present Buffalo German value.

Each Buffalo Commercial share on the basis of \$100 par value receives \$31.58 New Company stock of book value of \$657.95, to a value of \$207.78061 or present Buffalo Commercial value.

Buffalo German Shares, 2,000; book value, \$1,108.11939; total value, \$2,216,238.78, receives new shares, 3,368.4; book value, \$657.95; total value, \$2,216,238.78.

Buffalo Commercial shares (400 par \$500) equals 2,000 par \$100; book value, \$207.78061; total value, \$415,561.22, receives new shares, 631.6; book value, \$657.95; total value, \$415,561.22.

Each Buffalo Commercial share of a par value of \$500, receives 1.579 new shares.

Each Buffalo German share of a par value of \$100, receives 1.6842 new shares.

Combined Financial Statement

The following is a statement of the combined admitted assets and liabilities (actual and contingent) of the Buffalo German Insurance Company and the Buffalo Commercial Insurance Company to be transferred to and assumed by the merger corporation (Buffalo German Insurance Company) in accordance with the terms of the merger agreement:

<i>Ledger Assets</i>	
Book value of real estate.....	\$525,000 00
Mortgage loans on real estate.....	549,150 00
Collateral loans	10,500 00
Book value of bonds.....	1,808,594 18
Deposit in trust companies and banks.....	197,238 55
Agents' balances	123,100 07
Uncollected premiums	7,888 17
Accounts receivable	4,954 05
Total	\$3,226,425 02
<i>Non-Ledger Assets</i>	
Accrued interest on mortgage loans.....	\$9,133 75
Interest due on mortgage loans.....	143 48
Accrued interest on bonds.....	21,080 86
Accrued interest on collateral loans.....	150 00
Accrued interest on bank balances.....	175 53
Rents due	380 84
Total interest and rents.....	31,064 46
Market value of real estate over book value.....	101,500 00
Maps (estimated value)	9,905 73
Reinsurance, salvage, etc., on paid losses.....	314 46
Gross assets	\$3,369,209 67

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$925 00
Total admitted assets	\$3,368,284 67

Liabilities

Gross unpaid losses	\$59,106 33	
Less reinsurance	5,165 64	
Net amount of unpaid losses and claims.....		\$53,940 69
Expense of adjustments		404 85
Unearned premiums, one year risks.....	\$257,577 12	
Unearned premiums, term risks.....	684,895 48	
Total unearned premiums.....		942,472 60
Salaries and expenses due or accrued.....		1,474 16
Estimated amount payable for Federal and State taxes.....		15,743 73
Contingent commissions due or accrued.....		3,264 09
Commissions and brokerage		1,926 33
Total liabilities, except capital.....		\$1,019,226 45
Capital	\$400,000 00	
Surplus	1,949,058 22	
		2,349,058 22
Total liabilities		\$3,368,284 67

BUFFALO GERMAN INSURANCE COMPANY

Assets

Ledger assets December 31, 1912.....	\$2,594,482 61	
Total income	946,076 22	
		\$3,540,558 83
Total disbursements		931,506 48
Balance December 31, 1913.....		\$2,609,052 35

Ledger Assets

Book value of real estate.....	\$525,000 00	
Mortgage loans on real estate.....	419,650 00	
Collateral loans	10,500 00	
Book value of bonds.....	1,421,149 18	
Deposits in trust companies and banks.....	130,967 94	
Agents' balances	90,759 10	
Uncollected premiums	6,366 14	
Accounts receivable	4,659 99	
Total		\$2,609,052 35

Non-Ledger Assets

Accrued interest on mortgage loans.....	\$7,306 33	
Interest due on mortgage loans	143 48	
Accrued interest on bonds.....	17,490 73	
Accrued interest on collateral loans.....	150 00	
Rents due	380 84	
Total interest and rents		\$25,471 38
Market value of real estate over book value.....		101,500 00
Maps (estimated value)		9,905 73
Reinsurance due on paid losses.....		50 07
Gross assets		\$2,745,979 53

Deduct Assets Not Admitted

Book value of bonds over market value.....	720 00	
Total admitted assets		\$2,745,259 53

Liabilities

Gross unpaid losses.....	\$41,552 77	
Less reinsurance	4,453 61	
Net amount of unpaid losses and claims.....		\$37,099 16
Expense of adjustment.....		404 85
Unearned premiums one year risks.....	\$169,392 37	
Unearned premiums term risks.....	508,192 28	
Total unearned premiums		677,584 65
Salaries and expenses due or accrued.....		1,415 79
Estimated amount payable for Federal and State taxes.....		11,531 05
Contingent commissions due or accrued.....		2,606 73
Commission and brokerage.....		1,653 92
Total liabilities, except capital.....		\$732,296 15
Capital	\$200,000 00	
Surplus	1,812,963 38	
		2,012,963 38
Total liabilities		\$2,745,259 53

BUFFALO COMMERCIAL INSURANCE COMPANY

Assets

Ledger assets December 31, 1912.....	\$652,155 33	
Total income	298,691 35	
		\$950,846 68
Total disbursements		333,474 01
Balance December 31, 1913.....		\$617,372 67

Ledger Assets

Mortgage loans on real estate.....	\$129,500 00	
Book value of bonds.....	387,445 00	
Deposits in trust companies and banks.....	66,270 61	
Agents' balances	32,340 97	
Uncollected premiums	1,522 03	
Accounts receivable	294 06	
Total		\$617,372 67

Non-Ledger Assets

Accrued interest on mortgage loans.....	\$1,827 42	
Accrued interest on bonds	3,590 13	
Accrued interest on bank balances.....	175 53	
		5,593 08
Reinsurance, salvage, etc., on paid losses.....		264 39
Gross assets		\$623,230 14

Deduct Assets Not Admitted

Book value of bonds over market value.....	205 00	
Total admitted assets		\$623,025 14

Liabilities

Gross unpaid losses.....	\$17,553 56	
Less reinsurance	712 03	
Net amount of unpaid losses and claims.....		\$16,841 53
Unearned premiums, one year risks.....	\$88,184 75	
Unearned premiums, term risks	176,703 20	
Total unearned premiums.....		264,887 95
Salaries and expenses due or accrued.....		58 37
Estimated amount payable for Federal and State taxes.....		4,212 68
Contingent commissions due or accrued.....		657 36
Commissions and brokerage.....		272 41
Total liabilities, except capital.....		\$286,930 30
Capital	\$200,000 00	
Surplus	136,094 84	
Surplus to policyholders.....		336,094 84
Total liabilities		\$623,025 14

THE COLONIAL ASSURANCE COMPANY OF THE CITY OF NEW YORK

NEW YORK, N. Y.

Examined to ascertain condition June 30, 1913.

Report dated August 13, 1913.

Examiner: Charles H. Gardner.

<i>Assets</i>	
Book value of bonds.....	\$370,210 00
Cash in bank and trust companies.....	22,574 21
Agents' balances within 90 days.....	33,312 49
Agents' balances over 90 days due.....	1,008 97
Ledger assets	<u>\$427,105 67</u>
<i>Non-Ledger Assets</i>	
Interest accrued on bonds.....	\$4,025 00
Reinsurance due on paid loss.....	52 29
Total	<u>4,077 29</u>
Gross assets	<u>\$431,182 96</u>
<i>Deduct Assets Not Admitted</i>	
Agents' balances over 90 days due.....	\$1,008 97
Book value of bonds over market value.....	12,010 00
Total	<u>13,018 97</u>
Admitted assets	<u><u>\$418,163 99</u></u>
<i>Liabilities</i>	
Unpaid losses	\$15,944 55
Unearned premiums, one year risks.....	\$67,496 28
Unearned premiums, term risks.....	20,195 42
Total unearned premiums.....	87,691 70
Reinsurance premiums due.....	3,945 33
Tax on premiums (estimated).....	600 00
Total liabilities except capital.....	<u>\$108,181 58</u>
Capital	\$200,000 00
Surplus	109,982 41
Surplus to policyholders.....	<u>309,982 41</u>
Total liabilities	<u><u>\$418,163 99</u></u>

All asset and liability items entering into the above financial statement were verified from the company's books of record. As a result of such verification it was found that on June 30, 1913, the company had a surplus in the sum of \$109,982.41, over and above its capital of \$200,000.

The securities amounting to a par value of \$370,000 were verified by a personal examination and count thereof. The market value of said securities on June 30, 1913, was ascertained from rates furnished by the audit bureau of this Department. Attached to this report is a schedule of the above mentioned securities, setting forth the book, par and market value of the same.

The company was organized in June, 1896, with a capital of \$200,000. In the year 1900 a merger was effected with the Washington Assurance Company of New York, the merged corporations being known as "The Colonial Assurance Company of New York," with a capital of \$400,000, consisting of four thousand shares of a par value of \$100. During July of the year 1900, the capital stock of the company was reduced to \$200,000, consisting of four thousand shares of a par value of \$50.

FIRE REASSURANCE COMPANY—UNITED STATES BRANCH

PARIS, FRANCE

Joint examination by Connecticut and New York to ascertain condition September 30, 1913.

Report dated June 16, 1914.

Examiners: Joseph Froggett for Connecticut; Isaac Fuld for New York.

History of the United States Branch

The Fire Reassurance Company of Paris, France, entered the United States for the transaction of the business of fire insurance by admission to the State of Connecticut on June 8, 1911, and to the State of New York on November 16, 1911.

It is now authorized to transact such business in the following States: Arkansas, Connecticut, Colorado, Delaware, Illinois, In-

diana, Iowa, Louisiana, Massachusetts, Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, Utah and West Virginia.

The United States Branch of the Company confines itself to the transaction of a reinsurance business exclusively, with a net annual premium income of upwards of \$1,250,000.

The following statement shows the financial condition of the United States branch of the company, as of September 30, 1913, computed under the provisions of the Insurance Laws of the State of Connecticut.

<i>Assets</i>	
Book value of bonds.....	\$1,192,072 35
Deposits in banks on interest.....	134,516 00
Due from other companies representing business written subsequent to June 30, 1913.....	62,986 52
Due from other companies representing business written prior to July 1, 1913.....	1,446 90
Estimated amount reclaimable from treaty companies on account of fire department taxes.....	3,000 00
Interest accrued on bonds.....	10,995 82
Gross assets	\$1,405,018 19
Deduct assets not admitted:	
Cash	\$132,882 00
All investments	144,230 00
Not in control of trustees.....	\$277,112 00
Due from other companies representing business written prior to July 1, 1913.....	1,446 90
Book value of ledger assets over market value	39,472 35
	318,031 25
Total admitted assets.....	\$1,086,986 94
<i>Liabilities</i>	
Unpaid losses	\$184,181 00
Unearned premiums	788,891 70
Unpaid bills	91 56
Fire department taxes (estimated).....	3,600 00
Franchise tax, State of New York (estimated).....	750 00
Due Russia Insurance Company, proportion of expenses.....	8,405 99
Total amount of all liabilities except deposit capital....	\$985,920 25

Deposit capital	\$200,000 00
Impairment of deposit capital.....	98,933 31
Surplus as regards policyholders.....	\$101,066 69
Total liabilities	\$1,086,986 94

The financial condition of the United States branch of the company on September 30, 1913, computed under the provisions of the Insurance Laws of the State of New York, was found to be as follows:

<i>Ledger Assets</i>	
Book value of bonds.....	\$1,192,072 35
Deposits in bank (trustee account) on interest.....	1,634 60
Deposits in bank on interest.....	132,882 00
Due from other companies, representing business written subsequent to June 30, 1913.....	68,559 97
Due from other companies, representing business written prior to July 1, 1913.....	1,446 90
Total ledger assets.....	\$1,396,595 82
Non-ledger assets:	
Estimated amount reclaimable from treaty companies on account of fire department taxes.....	3,000 00
Interest accrued on bonds.....	10,995 82
Gross assets	\$1,410,591 64
Deduct assets not admitted:	
Book value of bonds over market value.....	\$39,472 35
Due from other companies, representing business written prior to July 1, 1913.....	1,446 90
	40,919 25
Total admitted assets.....	\$1,369,672 39
<i>Liabilities</i>	
Unpaid losses	\$184,181 00
Unearned premiums on one year risks.....	\$507,924 69
On term risks.....	280,967 01
	788,891 70
Unpaid bills	91 56
Franchise tax, State of New York (estimated).....	750 00
Fire department tax (estimated).....	3,600 00
Due other companies.....	5,573 45
Due Russia Insurance Company, proportion of expenses.....	8,405 99
Total liabilities except deposit capital.....	\$991,493 70

Deposit capital	\$200,000 00
Surplus	178,178 69
Surplus as regards policyholders.....	\$378,178 69
Total liabilities	\$1,369,672 39

The foregoing statement shows the United States branch of the company to be in possession of a surplus to policyholders, in excess of its minimum deposit capital, of \$178,178.69.

Capital Statement

The financial condition of the United States branch of the company, under the provisions of section 27 of the Insurance Law of the State of New York, on September 30, 1913, as ascertained by this examination was as follows:

Assets

Market value of bonds held by U. S. trustee or deposited with insurance departments	\$1,008,370 00
Cash in bank deposited in name of U. S. trustee.....	1,634 60
Total gross assets in the U. S. deposited with insurance departments or trustee.....	\$1,010,004 60

Liabilities

Unpaid losses	\$184,181 00
Unearned premiums	788,891 70
Unpaid bills	91 56
Due other companies.....	5,573 45
Due Russia Insurance Company, proportion of expenses.....	8,405 99
Franchise tax, State of New York (estimated).....	750 00
Fire department tax (estimated).....	600 00
Total liabilities in the United States.....	\$988,493 70
Capital under section 27 of the Insurance Law.....	21,510 90
Total (being the gross assets reported above).....	\$1,010,004 60

The capital statement appearing above shows the United States branch of the company to be in possession of a capital, under the provisions of the aforementioned section 27 of the Insurance Law, amounting to \$21,510.90, or an impairment of its statutory deposit capital in the sum of \$178,489.10.

This impairment, however, was made good on November 20, 1913, by a transfer of the following bonds, having a total market value of \$191,860 by the United States manager of the company to the United States trustee, the Connecticut Trust and Safe Deposit Company.

<i>Description.</i>	<i>Par Value.</i>	<i>Market Value.</i>
Atchison, Topeko & Santa Fe R. R. Co., general 4%, 1905	\$50,000	\$46,500
Baltimore & Ohio R. R. Co., first mortgage 4%, 1948	25,000	22,750
Erie R. R. Co., prior lien 4%, 1906.....	10,000	8,300
Louisville & Nashville R. R. Co., united 4%, 1940	42,000	39,060
Union Pacific R. R. Co. & ld. grt. first mortgage 4%, 1947	50,000	47,500
Oregon R. R. & Navigation Co. 4%, 1946.....	25,000	22,750
Texas & Pacific R. R. Co., first mortgage 5%, 2000	5,000	5,000
Total par and market values.....	<u>\$207,000</u>	<u>\$191,860</u>

Fire Department Tax

The amount charged as a liability under this heading is the estimated amount this company may be called upon to pay to the Fire Commissioner of the city of New York, upon the completion of a suit now pending for the recovery of taxes payable, by foreign fire insurance corporations, under sections 799 and 800 of the charter of the city of New York. This charge has been made although United States Manager Carvalho claims that in the event of the company being called upon to pay this tax, it would be repaid by the various ceding companies.

In support of such claim Manager Carvalho has procured from all companies, except one, with which the Fire Reassurance Company has treaties, certificates to the effect "that fire department taxes or assessments are included under taxes and other assessments payable by this company upon reinsurance ceded to the Fire Reassurance Company under its reinsurance agreement and are refunded to the Fire Reassurance if paid by them directly"

* * *

We have therefore recognized these certificates as sufficient evidence to enter a credit for the estimated amount recoverable from

the ceding companies, leaving a net liability of \$600.00 on such account, which represents the taxes on the business of the company from which no certificate has been received.

Statutory Deposits

The company has on deposit with the general fiscal officer of the States named below the following bonds for the protection of its policyholders in the United States:

<i>State.</i>	<i>Description.</i>	<i>Par Value.</i>	<i>Market Value.</i>
New York	City of New York 4¼%, 1960...	\$200,000	\$196,000
Connecticut	City of New York 4¼%, 1960...	200,000	196,000
	City of New York 4½%, 1963...	10,000	10,200
Ohio	City of Cleveland, Ohio, 4¼%, 1928	50,000	50,500
	City of Cincinnati, Ohio, 3½%, 1936	50,000	46,500

Certificates were obtained from the proper officials covering the above-mentioned deposits.

Your attention is called to the fact that the market value of the securities deposited in the State of New York are \$4,000 less than the statutory requirements.

To comply with the requirements of various states, the company has filed with the proper officers of the states named below, surety bonds in the following amounts:

<i>State.</i>	<i>Amount.</i>
Texas	\$13,000
Louisiana	20,000
North Carolina	10,000
Arkansas	20,000

Annual Statement

An examination of the Annual Statement filed for the year ending December 31, 1912, evidenced the fact that the premiums in force were erroneously reported about \$70,000 less than the actual premiums in force, and that the unearned premium liability should therefore have been increased by about \$35,000. This discrepancy was taken up with Mr. Carvalho, the United States Manager of the company, and he advised that the figures appearing in the Annual Statement were made up by him from rough statements prepared for him before the Unearned Premium

Reserve Account had been balanced. As explained to us, the error was a clerical one and was made in the rush of business incident to the making up of Annual Statements in the time prescribed in the statutory requirements. It would appear, however, that the company should have a proper check upon all figures entering into their sworn statement and that the statement should not have been rendered and sworn to as being correct until this balance had been obtained.

The company paid in 1913, on the business of 1912, for contingent commissions \$6,953.87 and omitted to carry a liability therefor.

A statement made in accordance with actual conditions regarding these items would have reduced the surplus reported by about \$40,000.

Remittances to and from Home Office

The following schedule shows all moneys received from or remitted to the Home Office of the company by its United States Branch from a time prior to its admission on June 8, 1911 to September 30, 1913:

<i>Year</i>	<i>Received from Home Office.</i>	<i>Remitted to Home Office.</i>
1911	\$579,657 53	\$10,671 37
1912 . . . . .	.....	.....
1913 to September 30.....	100 00	7,507 52
Totals	\$579,757 53	\$18,178 89

FIRST NATIONAL FIRE INSURANCE COMPANY OF
THE UNITED STATES

WASHINGTON, D. C.

Examined to ascertain condition September 30, 1913.

Report dated January 27, 1914.

Examiner: John E. Watson.

Organization and Incorporation

The company was incorporated July 9, 1912, under the provisions of sub-chapter 18 of the Code of Laws of the District of Columbia.

Prior to incorporation its affairs were managed by an organization committee which held its first meeting January 5, 1912, and which acted through an executive committee of three members.

Purposes.— The purpose of the company was the transaction of a general fire, inland marine, tornado and automobile insurance.

Capital.— The original capital of the company was placed at \$250,000; divided into 50,000 shares of a par value of \$5.00 each. At a meeting of stockholders held December 13, 1912, the authorized capital was increased to \$1,000,000 to consist of 200,000 shares of a par value of \$5.00 each. Capital stock was to be sold at a premium of 100 per cent. which was intended to provide a surplus equal to the capital, less organization expense only. The records of the company show that at date of this examination stock was sold in the following amount, viz.:

Paid for in full.....	\$695,865 00
Paid for in part.....	93,050 00
Total	\$788,915 00

More particular data in connection with the sale of the company's capital stock appears further on in this report.

Financial Statement

The following is a statement showing the income and disbursements of the company for the twenty-one months period from organization in January, 1912, to September 30, 1913, together with the assets and liabilities as of September 30, 1913.

<i>Income</i>		
Gross premiums	\$438,378 05	
Less reinsurance	\$27,179 12	
Less return premiums.....	74,626 45	
		101,805 57
Total premiums		\$336,572 48
Interest on mortgage loans.....	\$8,883 15	
Interest on bonds.....	4,719 70	
Interest on deposits in trust companies and banks	2,647 13	
Miscellaneous interest	109 93	
Rents from company's property.....	56,284 79	
Total gross interest and rents.....		72,644 70

From other sources:

Subscriptions to capital stock, full paid.....	\$695,865 00	
Subscriptions to capital stock, part paid.....	93,050 00	
Contributions to surplus by stockholders.....	788,915 00	
Contributions to surplus from forfeitures and cancellations of stock subscriptions.....	18,460 50	
Commission on loans.....	22 50	
Profits from assets of Southern Building Cor- poration	1,285 37	
From agents' balances previously charged off (Cancellation of contract of Tuttle, Wight- man & Dudley)	1,721 15	
Commission on investments.....	555 00	
Exchange	3 90	
Increased valuation, real estate.....	210,940 75	
Industrial department	337 34	
		\$1,811,156 51
Total income		\$2,220,373 69

Disbursements

Gross losses paid.....	\$45,641 25	
Less reinsurance received.....	9,253 61	
Net amount paid policyholders for losses.....		\$36,387 64
Expenses of adjustment.....		1,555 87
Commissions		115,783 62
Miscellaneous agency expense.....		1,448 57
Salaries S/A		3,346 09
Salaries, officers and office employees.....		41,753 09
Rents		3,103 32
Advertising and printing.....		10,850 51
Postage		2,030 91
Legal expenses		2,281 93
Office furniture and fixtures.....		3,599 02
Maps, including corrections.....		2,192 20
Tariff associations, etc.....		353 44
Fire department and salvage corps.....		373 49
Inspection and surveys.....		54 25
Repairs and expenses (other than taxes) on real estate.....		11,210 44
Taxes on real estate.....		4,367 99
State taxes on premiums.....		460 29
Insurance department licenses and fees.....		5,613 25
All other licenses, fees and taxes.....		28 00
Commission on sale of capital stock.....	\$136,681 76	
Expenses on sale of capital stock.....	136,850 47	
Expenses of Congressional investigation.....	39,086 50	
Organization expense	2,500 00	
Richmond Realty Company.....	2,500 00	
Southern Building minority stockholders.....	1,014 38	
Traveling expenses	1,422 31	

Notary and recording fees	\$411 40	
Newspapers and publications.....	122 71	
Miscellaneous home office expenses.....	2,942 69	
Industrial lapsed credits.....	243 58	
Discounts on payments of capital stock.....	560 35	
Interest on mortgage.....	23,568 47	
		<u>\$347,910 62</u>

Total disbursements \$594,704 59

Balance \$1,625,669 10

Ledger Assets

Real estate	\$350,000 00
Mortgage loans on real estate (first liens)....	203,650 00
Loan secured by pledge of bonds, stocks or other collateral	6,103 00
Book value of sundry bonds.....	464,361 25
Book value of Southern Building Corporation bonds	265,620 00
Cash in company's office.....	\$50 00
Deposits in trust companies and banks on interest.....	177,218 04
	<u>177,268 04</u>
Agents' balances representing business written subsequent to July 1, 1913.....	60,555 81
Agents' balances representing business written prior to July 1, 1913.....	27,631 75
Cash in hands of renting agent.....	10,744 38
Rents due and uncollected.....	5,437 71
Balance due from Commercial Fire Insurance Company	47,616 10
Due from Industrial Department.....	337 07
Checks in suspense.....	250 00
Deposit with underwriters boards.....	100 00
Reinsurance receivable	5,992 43
National Commercial Underwriters Agency....	1 56

Total ledger assets..... \$1,625,669 10

Non-Ledger Assets

Interest due and accrued on mortgages.....	\$2,460 46
Interest due and accrued on sundry bonds.....	5,802 07
Interest due and accrued on Southern Building Corporation	7,775 00
Interest due and accrued on collateral loan....	61 03
Interest due on bank balances.....	360 42
Salaries advanced	2,061 26

Total 18,520 24

Gross Assets \$1,644,189 34

Deduct Assets Not Admitted

Rents three months overdue.....	\$608 31	
Checks in suspense.....	250 00	
Agents' balances, representing business written prior to July 1, 1913.....	27,631 75	
Salaries advanced	2,061 26	
Book value of bonds over market value.....	10,841 25	
Balance due from Commercial Fire Insurance Company over three months.....	47,616 10	
		\$89,008 67
Total admitted assets.....	\$1,555,180 67	

Liabilities

Net amount of unpaid losses and claims.....		\$94,842 41
Unearned premiums, one year risks.....	\$113,376 00	
Unearned premiums, term risks.....	66,302 00	
Total unearned premiums.....		179,678 00
Expense due on adjustment of losses.....		2,236 82
Interest accrued on mortgages.....		13,479 16
Expenses, bills, accounts, fees, etc., due or accrued.....		3,868 48
Estimated amount hereafter payable for federal, state and other taxes based upon the business of the year of this statement.		5,145 07
Contingent commissions or other charges due or accrued.....		838 52
Accrued taxes on Southern Building.....		1,625 56
Amount due Southern Building suit.....		3,750 00
Due industrial department.....		337 34
Agents' credit balances.....		2,032 78
Total amount of all liabilities except capital.....		\$306,834 14
Capital part paid.....	\$93,050 00	
Capital actually paid up in cash	695,865 00	
	\$788,915 00	
Surplus over all liabilities.....	459,431 53	
Surplus as regards policyholders.....		1,248,346 53
Total liabilities		\$1,555,180 67

Assets

Real estate.—In submitting the foregoing statement it is necessary to give consideration to the inter-relations of this company with the Commercial Fire Insurance Company of Washington, D. C. Both corporations are under one management, occupying the same offices and employing the same staff of clerks. Their affairs are closely interwoven in many respects, that of most im-

portance being the joint ownership of a parcel of real estate known as the Southern Building, a nine-story brick and terra cotta structure, with the land on which it stands, located at the corner of Fifteenth and "H" streets, N. W., Washington, D. C. The property is covered by a first mortgage of \$800,000 at five per cent. held by the Equitable Life Assurance Society, and in addition thereto second and third mortgage bonds are outstanding amounting to \$500,000. These bonds mature in the year 1915, and of the thirds the company owns \$265,620. Provision, of course, will have to be made for the payment of the bonds on maturity and a situation may develop which will necessitate increased investment in this real estate holding.

This property was purchased from the Southern Building Corporation by the First National and the Commercial Fire Insurance companies jointly. The Southern Building Corporation invested in the building and land the sum of \$1,400,000, represented by outstanding mortgage obligations, subsequently increasing the book value of the property to \$2,000,000. This increase, amounting to \$600,000, was capitalized and stock in said amount was issued therefor. The fire insurance companies purchased the stock of the Southern Building Corporation for \$150,000, at the same time redeeming mortgage bonds to the amount of \$100,000, each of the companies contributing one-half of the necessary funds. The Southern Building Corporation then deeded the real estate to the fire insurance companies, the corporate existence of the building corporation being subsequently terminated. This joint investment by the insurance companies was followed by an increase in the book value of the property to \$2,000,000. After deducting the mortgage indebtedness amounting to \$1,300,000, a joint equity of \$700,000 remained, or \$350,000 for each company.

Following is a copy of a certificate regarding the valuation of the above property on which the book value was based:

To the Superintendent of Insurance, District of Columbia:

SIR.—Pursuant to appointment, we have examined the real estate of the Southern Building Corporation, known as three parts of lot 44, and buildings in square 220, and to the best of our knowledge and belief, the present cash value of such property judging from its revenue producing capacity, its location in the heart of Washington's Wall Street or financial center and its very promising outlook for the future is Two million dollars (\$2,000,000).

The building is a first class, fireproof, steel and brick construction, and the ground is increasing in value.

Respectfully submitted,

(Signed)	H. H. DARNIELLE,
(Signed)	ALEXANDER T. HENSEY,
(Signed)	WILLIAM P. LIPSCOMB.

It is stated in the above certificate that the basis for the valuation of \$2,000,000 is:

- (a) "The revenue producing capacity."
- (b) "Location."
- (c) "Promising outlook."

I have not undertaken to ascertain the value of the real estate as affected by its location or by its prospective possibilities, but on the single basis of its "revenue producing capacity," the following facts are pertinent, viz.:

First: The property is rented to about 90 per cent. of the full rental space.

Second: Judging from the gross rental receipts less maintenance charges, the net annual income return is 4.169 per cent.

Third: The net annual income return on the company's equity in the property after deducting cost of carrying the bond and mortgage indebtedness is 1.91 per cent. and the net income on the company's investment in the property after making the same deductions is 4.46 per cent.

While the return on the equity is less than 2 per cent. the income on the \$2,000,000 valuation is upwards of 4 per cent. and the retirement of the mortgages will increase the company's earnings on its equity. At the same time the policy of a real estate investment netting less than 2 per cent. and which is involved by reason of joint ownership and mortgage liens, may be open to question.

The valuation of this property in the early part of the year 1913, received the attention of a Congressional Investigating Committee. The members of this committee were not in agreement as to the value of the property, a majority report placing the value at \$1,658,720, and a minority report confirming the value of \$2,000,000 as previously fixed by appraisers of the Insurance Department of Washington, D. C.

For the purposes of this report I have used the valuation of \$2,000,000, basing such action upon the net income received

from the property and because of the testimony adduced at a hearing before you, such testimony supporting the claims of the company to the valuation of \$2,000,000.

Collateral Loans

Among the assets appears a loan of \$6,103, secured by collateral, in which loan the president of the company is interested. Loans of this character are prohibited by section 36 of the New York Insurance Law, furthermore the collateral security was not indorsed until after the company's attention had been called thereto. The item has been allowed as an asset with the understanding with the company that steps will be taken to have the loan retired.

Cash in Hands of Renting Agent

The management of the real estate is vested in a building committee consisting of the presidents of the First National and the Commercial. This committee has appointed Mr. W. Thysson as building manager to have the care of building and collection of rents.

The building manager collects all rents, deposits the funds in a special account, and disburses all moneys due for the maintenance of the building, including interest and taxes.

Checks are signed by the president of either company, countersigned by the building manager.

At the date of this examination, the amount appearing on the books of the company as due from the building manager was \$15,522.81, representing cash in bank \$10,744.38, rents collected \$5,437.71, less unpaid bills \$659.28.

Similar amounts being the property of the Commercial Fire Insurance Company were also in the hands of the building manager.

The manager is bonded in the total sum of \$10,000, the bond running to both companies so that the First National was protected to the extent of \$5,000, against a possible loss of \$10,744.38.

The examiner has allowed these items as assets, as it was found that the building manager had used all the available cash in payment of interest on building mortgages on October 1st.

The rents due more than three months have been deducted as assets not admitted.

Salaries Paid in Advance.—The examiner found that the president of the company had drawn \$2,061.26 as advances on future salary, and same had been charged on the books to the salary account. This item has been set up as a non-ledger asset and deducted as an asset not admitted.

LIABILITIES

Unpaid Losses

The outstanding loss account was found from the company's records to be the sum of \$94,842.41. The loss book does not contain sufficient details for a complete examination of this account without recourse to other records; for instance, said book omits the date on which the fire occurred. This information is essential and no record is complete without the same. The company failed to enter a claim for \$2,500, the loss occurring under a binder agreement, no policy contract having been issued. While the company has denied liability in this case, in all probability a suit will follow and until it is finally disposed of a reserve for the full amount of such claim should be provided for.

Underwriters' Contracts

From the date of incorporation until March 27, 1913, the underwriting of the company was conducted through a contract with the corporation of Tuttle, Wightman & Dudley. On such date the underwriting contract was surrendered and a new one was executed with Messrs. F. S. Dudley and S. J. Johnson, the terms of which were:

1. Messrs. Dudley & Johnson were to have full charge of the underwriting of the company for a period of eight years.
2. F. S. Dudley was to receive a compensation of \$5,000 per annum as first vice-president of the company in charge of its underwriting.
3. S. J. Johnson was to receive a compensation of \$5,000 per annum as secretary of the company.
4. F. S. Dudley was to receive an overwriting commission of 2 per cent. on all net premiums and a contingent percentage on the profits amounting to 2½ per cent. for 1913, 5 per cent. for 1914, 7½ per cent. for 1915, and 10 per cent. for every year thereafter.

5. S. J. Johnson was not to share in the overwriting commission or contingent profit but was to be fully compensated by his salary as secretary of the company.

6. In case of friction between the underwriters F. S. Dudley was to have the privilege of associating himself with some underwriter in lieu of S. J. Johnson.

7. In consideration of Richard Wightman agreeing to the cancellation of the underwriting contract of Tuttle, Wightman & Dudley, Inc., the company agreed to place said Richard Wightman in charge of the company's advertising at a salary of \$3,500 per annum.

On August 13, 1913, F. S. Dudley and S. J. Johnson offered to surrender their underwriting contract on condition that a similar contract should be entered into between the company and R. J. Tuttle. This was done with the exception that F. S. Dudley still receives the compensation of \$5,000 per annum as first vice-president and R. J. Tuttle receives only the over-writing commissions and will be entitled to the contingent profits when same shall have been earned. The new contract was made for a period of five years.

Results of Underwriting Contract

The results of these underwriting contracts have not been favorable to the company. The expenses have equalled 61.8 and the losses 39.8 per cent. of the net premium income, and the company still has its liability for unearned premiums. The company has agreed that the underwriting contract will be surrendered and a new contract made which shall first be submitted to the Superintendent of Insurance of this State for approval.

Sale of Capital Stock

On February 2, 1912, the organization committee executed a contract with the corporation of Tuttle, Wightman & Dudley for the sale of the capital stock of the company. This contract was succeeded by a similar one with the company on completion of its incorporation in July, 1912. This contract provided for a commission of $7\frac{1}{2}$ per cent. and an expense allowance not to exceed $12\frac{1}{2}$ per cent. on the amount of capital and surplus subscribed. The contract was surrendered on March 27, 1913, and a new contract executed with Richard Wightman on the same

terms. The corporation of Tuttle, Wightman & Dudley has since been dissolved.

Subscriptions to the original capital of \$250,000, and surplus of a like amount, were obtained in the year 1912 through a mail order campaign, and subscriptions to the increased capital and surplus were obtained mainly from subscribers to the original capital.

Commercial Fire Insurance Company Reinsurance

On or about April, 1913, a large part of the unearned premium liability of the Commercial Fire Insurance Company, amounting to \$121,604.68, was reinsured in the First National Fire Insurance Company, the commission paid being 37½ per cent. or a cost of \$45,601.86. The reinsurance was made to date from March 1, 1913, and it was found that losses occurring during March were paid by the Commercial although this company was charged premiums from March 1st. It is difficult to understand on what theory the Commercial was obliged to settle the March losses after it had paid a premium to be relieved of such liability. Apparently there exists a valid claim against the First National on such account, but inasmuch as the balance due at date of this report has been disallowed as an asset, no separate charge has been set up for March loss payments.

A dual object was attained by this reinsurance—that is, premium income was provided for the First National and the Commercial was relieved of its liability.

Immediately after the reinsurance was effected a portion amounting to \$10,343.44 was reinsured by the First National in the Globe & Rutgers Fire Insurance Company, on which a commission of 15 per cent. was received.

The net result of the transactions was the assumption of premiums amounting to \$111,261.24, on which the commission was \$44,050.35 equal to 39.5 per cent.

Congressional Investigation

In the early part of 1913 a Congressional Committee in the course of an investigation into the affairs of the Commercial Fire Insurance Company and the corporation of Tuttle, Wightman &

Dudley reviewed the methods and details of the organization of the First National Fire Insurance Company. The investigation was made with particular reference to the acquirement and value of the Southern Building. The findings of the committee covering the value of the property are set forth above.

The cost of this investigation to the company was \$49,932.19, which the directors of the two companies decided to apportion between the companies on the basis of assets. The result of said apportionment was that the First National paid \$39,086.50 and the Commercial \$10,845.69. It would appear that in view of the small amount of time spent by the committee on the affairs of the First National that the latter company bore an excessive amount of these expenses.

Bonds Loaned

At the date of this examination it was found that the First National Fire Insurance Company had loaned to the District National Bank of Washington certain of its securities, as follows: United States consols 2 per cent. bonds to the amount of \$57,000.

The bank had deposited these bonds with the United States Government as security for government deposits. The only security of the insurance company being its receipt of the bank.

In connection with this transaction I wish to call attention to the fact that in the event of a loss occurring in the bank the insurance company would have difficulty in recovering the value of the bonds inasmuch as the amount of said bonds is not credited to the insurance company on the books of the bank. Interest on these bonds was paid at the rate of 1 per cent. and before the close of this examination the bonds were returned to the company by the bank.

This Department has expressed itself as being opposed to the practice of insurance companies loaning bonds to national banks.

Conclusion

The findings of your examiner in regard to the most important features of this examination which would seem to merit your attention are as follows:

1. The authorized capital of the company is \$1,000,000, of which sum \$788,915 has been paid in together with a surplus in

a like amount, the aggregate payments totaling \$1,577,830. Of this amount the organizers have received as commissions \$136,681.76, and have disbursed for expenses the sum of \$136,856.47.

2. The net premium income of the company during its nine months active operation was \$336,572.48. The losses incurred amounted to the sum of \$134,022.74. The company still owes to policyholders unearned premiums amounting to approximately \$180,000. It is true that these results are to some extent due to the reinsurance of the Commercial Fire Insurance Company, but the acquirement of the risks of this company can in no wise serve as an excuse but rather becomes a criticism against the management.

3. The expense ratio is likewise to be commented upon. Disbursements have been made for salaries, commissions, etc., not commensurate with the results obtained.

4. The following figures will serve to show the results obtained during the short period of this company's existence:

Surplus paid in by stockholders.....	\$807,375 50
Increase in book value of real estate.....	210,940 75
Total.....	\$1,018,316 25
Surplus at date of this examination.....	459,691 53
	\$558,624 72
Assumed value of not admitted assets.....	60,000 00
Net loss	<u>\$498,624 72</u>

This net loss of \$498,624.72 may fairly be reduced to some little extent by considering the value of the commission equity in the unearned premium reserve and the company's plant. In this net loss is included promotion expense of \$273,538.23 and expense of Congressional investigation \$39,086.50.

STIPULATION

By the First National Fire Insurance Company of the United States, of Washington, D. C.

In view of the report on examination of the First National Fire Insurance Company of the United States, of Washington,

D. C., made by an examiner of the Insurance Department of the State of New York under date of January 27, 1914, it is hereby stipulated and agreed on behalf of the said company, in accordance with the requirement of the New York State Insurance Department, as follows:

1. That expense in the company's management shall be reduced wherever possible.

2. That a plan shall be formulated and carried into effect whereby the general stockholders of the company shall have representation on the board of directors.

3. That the practice of having the same individuals act on the finance committees of both the First National and the Commercial be discontinued.

4. That compensation to officers and directors for services shall be restricted to salaries and the usual directors' fees, and to such commissions as may be paid under the underwriting contract and existing stock sales contracts.

5. That a complete record of fire losses shall be kept so that an examination of same may permit an accurate establishment of the company's liability on such account.

6. That no loan shall be made in the future to officers or directors, either directly or indirectly.

7. That none of the company's securities shall be loaned to banking institutions or to individuals.

8. That the company's share of the income from the Southern Building is to be promptly turned over to it.

9. That on completion of the payment of the company's capital of \$1,000,000, due notification thereof shall be given to the New York State Insurance Department, with a verified, detailed statement of the receipts and disbursements covering the entire capital and surplus paid in.

10. That the company will advise the New York State Insurance Department fully in respect to its plans for financing the mortgage obligations maturing in 1915.

11. That no reinsurance contract covering all of the risks of the Commercial Fire Insurance Company or a substantial part thereof shall be entered into between said company and the First National Fire Insurance Company, and that any re-insurance

of the business of the Commercial by the First National shall be limited to individual risks in the usual course of business.

12. That the underwriting contract with Robert R. Tuttle shall be surrendered, and that any contract entered into in substitution thereof shall provide as compensation only a stated salary, and contingent commission on net profits, and shall not be adopted until the same has received the approval of the New York State Insurance Department.

IN WITNESS WHEREOF the said corporation has caused this instrument to be executed and its corporate seal affixed this 12th day of March, 1914.

ROBERT J. WYNNE,
President.

F. S. DUDLEY,
Vice-President.

ROBERT R. TUTTLE,
Second Vice-President.

JOHN McKEE,
Assistant Secretary.

[SEAL]

Witness:

HENRY E. WILKENS.

Resolved, That the twelve stipulations of the New York Insurance Department, except paragraphs 3 and 12, be immediately complied with and that paragraphs 3 and 12 be complied with on or before June 30, 1914; that the officers of the company be directed to execute this paper in accordance with instructions of the New York Insurance Department, the Assistant Secretary to sign in place of the Secretary; and that a copy of this resolution be attached to and made a part of the stipulation of the New York Insurance Department.

ROBERT J. WYNNE,
President.

FIRST RUSSIAN INSURANCE COMPANY — UNITED STATES BRANCH

ST. PETERSBURG, RUSSIA

Examined to ascertain condition, December 31, 1913.

Report dated April 24, 1914.

Examiner: Charles H. Gardner.

Assets

Book value of bonds.....	\$1,325,401 60
Cash in bank.....	46,493 28
Premiums due — net balance of account.....	24,155 42

Total ledger assets.....	\$1,396,050 30
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Non-Ledger Assets

Accrued interest on bonds.....	10,789 17
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Gross assets	\$1,406,839 47
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Deduct Assets Not Admitted

Book value of bonds over market value.....	51,101 60
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Admitted assets	\$1,355,737 87
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Liabilities

Unpaid losses	\$111,155 69
Adjustment expenses	652 40
Unearned premiums — one year risks	\$409,426 54
Unearned premiums — term risks	422,589 24

Total unearned premiums	832,015 78
Tax on premiums estimated.....	17,696 66
Contingent commissions	10,898 27

Total amount of all liabilities.....	\$972,419 00
Deposit capital	\$200,000 00
Surplus	183,318 87

Surplus to policyholders.....	383,318 87
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Total liabilities	\$1,355,737 87
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Capital Statement

The financial condition of the United States branch of the company on a capital statement basis on December 31, 1913, as ascertained by this examination, was as follows:

		<i>Assets</i>	
<i>Securities deposited in Insurance</i>			
	<i>Departments</i>	<i>Par value</i>	<i>Market value</i>
State of New York:			
City of New York Corp. Stock			
4s 1956		\$223,000 00	\$211,850 00
State of Ohio:			
U. S. Government reg. 4s 1925....		100,000 00	112,000 00
Total par and market value.....		\$323,000 00	\$323,850 00
			\$323,850 00
<i>Securities held by the United</i>			
<i>States trustee</i>			
New York City Corporate stock.		\$986,000 00	\$950,450 00
Total par and market value.....		\$986,000 00	\$950,450 00
			950,450 00
Gross assets in the United States.....			\$1,274,300 00
		<i>Liabilities</i>	
Total unearned premiums.....			\$832,015 78
Unpaid losses			111,155 69
All other liabilities.....			29,247 53
Total liabilities in the United States.....			\$972,419 00
Capital under section 27 of the Insurance Law.....			301,881 00
Total (being the gross assets reported above).....			\$1,274,300 00

The company's financial statement submitted to the Department for the year ending December 31, 1913, shows a surplus of \$185,543.43 above the deposit capital of \$200,000. The several asset and liability items comprising said statement were carefully checked, and found to be approximately correct as reported. In the report of this examination the surplus was found to be \$183,318.87 or a reduction of \$2,224.56. This reduction is accounted for by an increase of \$3,398.27 in the amount due for

contingent commission and a decrease of \$1,173.71 in the outstanding loss account and the adjustment expenses in connection therewith. The net result shows a balance of \$2,224.56 or a reduction in surplus in said amount.

Attached to this report is a schedule of the securities owned by the company setting forth the book, par and market value of the same.

GENERAL FIRE ASSURANCE COMPANY — UNITED STATES BRANCH

PARIS, FRANCE

Examined to ascertain condition, December 31, 1913.

Report dated May 21, 1914.

Examiner: Charles H. Gardner.

Income and Disbursements from May 6, 1910, to December 31, 1913, Inclusive

Received from General Fire Assurance Co.,

Paris, France:

Bonds	\$500,700 00	
Cash	20,000 00	
		\$520,700 00

Income

Premiums	\$2,097,025 25	
Less return premiums	\$377,072 05	
Reinsurance premiums	522,719 67	899,791 72
		\$1,197,233 53
Interest		84,277 33
Repayment of loan by Canadian Department, General Fire Assurance Co.		10,000 00
Repayment of loan by Fred S. James & Co.		20,000 00
Received from home office		2 99
Miscellaneous		15 60
		1,311,529 45
Total income		\$1,832,229 45

<i>Disbursements</i>		
Losses	\$695,486 49	
Deduct reinsurance \$269,510 83		
Salvage	6,363 42	275,874 25
		<u>\$419,612 24</u>
Expenses of adjustment and settlement of losses	6,652 21	
Commissions	362,192 67	
Salaries and fees, United States trustee	8,740 68	
Advertising \$3,018.17; printing and stationery \$35.50	3,053 67	
Legal expense	56 73	
Underwriters' boards and tariff associations..	21,162 05	
Fire department and fire patrol taxes, etc.....	11,129 14	
State taxes on premiums, etc.....	17,412 28	
Licenses and fees	10,194 38	
County and municipal taxes.....	4,231 63	
Remitted to home office.....	46,707 50	
Loan to Canadian Department, General Fire Assurance Company	10,000 00	
Loan to Fred S. James & Co.....	20,000 00	
Miscellaneous expense	213 51	
		<u>Total disbursements</u>
		<u>\$941,367 69</u>
Ledger assets December 31, 1913.....		<u>\$890,861 76</u>
<i>Assets</i>		
Bonds, book value	\$679,956 25	
Cash:		
Deposits in banks, on interest	\$55,000 00	
Deposits in banks, not on interest	22,699 38	
		<u>77,699 38</u>
Agents' balances representing business written within 90 days.....	\$100,864 26	
Agents' balances representing business written more than 90 days	1,058 23	
		<u>101,922 49</u>
Reinsurance receivable on paid losses.....	27,489 30	
Funds in suspense	3,794 34	
		<u>Ledger assets</u>
		<u>\$890,861 76</u>
<i>Non-Ledger Assets</i>		
Interest due and accrued on bonds.....	\$9,384 55	
		<u>Total</u>
		<u>9,384 55</u>
Gross assets		<u>\$900,246 31</u>

Deduct Assets Not Admitted

Agents' balances representing business written more than 90 days.....	\$1,058 23	
Book value of ledger assets over market value:		
Bonds	21,886 25	
Reinsurance recoverable from non-admitted companies on paid losses.....	1,393 18	
Funds in suspense.....	3,794 34	
		\$28,132 00
Total admitted assets		\$872,114 31

Liabilities

Losses	\$65,695 28	
Deduct reinsurance	18,607 39	
		\$47,087 89
Unearned premium on one year risks.....	\$171,733 14	
Unearned premium on term risks.....	170,410 91	
Total unearned premiums		342,144 05
Estimated amount payable for federal, State and other taxes..		7,000 00
Contingent commissions, due or accrued.....		6,666 98
Balance of account under reinsurance treaties.....		3,794 34
Amount due for reinsurances.....		32,399 43
Total liabilities, except capital.....		\$439,092 69
Deposit capital	\$200,000 00	
Surplus	233,021 62	
Surplus to policyholders		433,021 62
Total liabilities		\$872,114 31

Capital Statement

The financial condition of the United States branch of the company on a capital statement basis on December 31, 1913, as ascertained by this examination was as follows:

*Assets**Securities deposited in Insurance**Departments.*

State of New York:	<i>Par value</i>	<i>Market value</i>	
City of New York 4s 1950.....	\$201,000 00	\$192,960 00	
City of New York 4s 1957.....	10,000 00	9,600 00	
State of Ohio:			
City of Cincinnati reg. 3½ 1925	74,000 00	71,780 00	
City of Cincinnati reg. 3½ 1936	31,000 00	29,450 00	
Total par and market value..	\$316,000 00	\$303,790 00	
			\$303,790 00

*Securities held by the United
States trustee.*

Various municipal and R. R.

bonds	\$400,000 00	\$354,280 00
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Total par and market value..	\$400,000 00	\$354,280 00
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		\$354,280 00
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		\$658,070 00
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Liabilities

Total unearned premiums.....	\$342,144 05
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Unpaid losses	47,087 89
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All other liabilities.....	26,676 69
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Total liabilities in the United States.....	\$415,908 63
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Capital under section 27 of the Insurance Law.....	242,161 37
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Total (being gross assets reported above).....	\$658,070 00
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As a result of this examination the surplus of the company, in accordance with the requirements of the Department blank, was found to be the sum of \$233,021.62 above the deposit capital of \$200,000. On a capital statement basis, in accordance with the provisions of section 27 of the Insurance Law, the surplus was found to be the sum of \$42,161.37 over its capital deposit of \$200,000.

The General Fire Assurance Company of Paris, France, was admitted to transact the business of fire insurance in the State of New York through its United States branch on July 14, 1910. The firm of Fred S. James & Company of New York and Chicago, Ill., was appointed United States managers, with offices located at 123 William street, New York city. The Central Trust Company of New York was appointed, about a year ago, the United States trustee of the company, having replaced the trustee originally designated by the company at the time of its admission.

The United States managers conduct the business of the company on a commission basis. The larger part of the general agency expenses are chargeable against Fred S. James & Company, the commission paid by the General Fire offsetting the same, and in addition providing for the manager's yearly compensation.

The securities owned by the company amount to \$716,000 par value, and the market value on December 31, 1913, of \$658,070. The company has on deposit with the Insurance Department, State of New York, bonds of the city of New York at a par value of \$211,000, and with the Insurance Department of the State of Ohio, bonds of the city of Cincinnati of a par value of \$105,000. These deposits are held in trust for the protection of its policyholders in the United States. The Central Trust Company of New York, United States trustee, hold the balance, amounting to \$400,000. par value. The securities in possession of insurance departments were verified from certificates showing that on December 31, 1913, there was on deposit with the respective departments the securities as indicated above. The securities held by the United States trustee were personally examined and counted. Attached to this report is a schedule showing all the securities owned by the company, setting forth the book, par and market value of the same.

GERMAN ALLIANCE INSURANCE COMPANY

NEW YORK

Examined to ascertain condition, December 31, 1914.

Report dated April 13, 1914.

Examiner: Isaac Fuld.

Ledger Assets

Mortgage loans on real estate (first liens).....	\$55,000 00
Book value of bonds and stocks.....	1,769,933 06
Cash in office.....	300 00
Cash in bank, on interest.....	33,052 59
Agents' balances, representing business written subsequent to September 30, 1913.....	109,501 15
Total ledger assets.....	\$1,967,786 80

Non-Ledger Assets

Interest accrued on mortgage loans.....	812 50
Interest accrued on bonds.....	8,334 00
Gross assets	\$1,976,933 30

Deduct Assets Not Admitted

Book value of bonds and stocks over market value.....	\$106,606 06
Total admitted assets.....	<u>\$1,870,327 24</u>

Liabilities

Net amount of unpaid losses.....	\$93,020 35
Unearned premiums:	
On one year risks.....	\$214,041 70
On term risks.....	273,625 35
	<u>487,667 05</u>
Taxes accrued (estimated).....	10,000 00
Total liabilities except capital.....	<u>\$590,687 40</u>
Capital.....	\$400,000 00
Surplus.....	879,639 84
	<u>1,279,639 84</u>
Surplus to policyholders.....	1,279,639 84
Total liabilities.....	<u>\$1,870,327 24</u>

Agents' Balances

The item of agents' balances appearing in the foregoing financial statement represents the balance of account between this company and the German American Insurance Company of New York.

In accordance with an agreement between the companies, referred to later in this report, the actual balances due from agents are treated as the balances due to the German American Insurance Company.

All other items appearing in the financial statement were verified and computed in the usual manner.

History of Company

The German Alliance Insurance Company of New York was organized in February, 1897, as a stock fire insurance corporation. The charter, which expires February 10, 1927, was amended in May, 1913, to extend the powers of the company, to make insurances upon all of the risks enumerated in section 110 of the Insurance Law, and increasing the number of directors from thirteen to fifteen.

In conjunction with the German American Insurance Company of New York, it issues a joint policy under the title of the

German Alliance Insurance Association, and except in the states of New Mexico and Vermont, the company is authorized and transacts business in every state and territory in the United States, Hawaiian Islands and in British Columbia.

All business, however, is in accordance with the hereinbefore mentioned agreement, assumed by the German American Insurance Company of New York, and the net annual premium income of over \$600,000 consists entirely of reinsurance premiums received from the said German American Insurance Company.

Dividends to Stockholders

In the year 1909 a semi-annual dividend of 6 per cent. was declared and paid, and in the years 1910, 1911, 1912 and 1913 semi-annual dividends of 7½ per cent. were declared and paid.

Capital Stock

An examination of the stock ledger and stock certificate books showed that on December 31, 1913, there were outstanding 4,000 shares of stock of the total par value of \$400,000.

Capital Investments

As set forth in the foregoing part of this report, the company, under its charter, is authorized to transact the business of fire and ocean marine insurance and should be in possession of investments in the class of securities required by section 16 of the Insurance Law in the sum of \$400,000. On date of this examination the capital securities owned by the company were as follows:

<i>Description</i>	<i>Par value</i>	<i>Market value</i>
Mortgage loans	\$55,000 00	\$55,000 00
United States reg. bonds, 4%, 1925	130,000 00	145,600 00
United States reg. bonds, 2%, 1930	10,000 00	9,800 00
City of New York reg. bonds, 3½%, 1928	75,000 00	68,250 00
	\$270,000 00	\$278,650 00

Your attention is called to the fact that there exists a deficiency of \$121,350 in the capital investments, valued according to the

provisions of said section 16. The matter of this deficiency has been the subject of correspondence between the company and the Department.

It is pertinent to state that to date of this examination the company has not transacted any ocean marine insurance business.

Reinsurance Agreement

Under an agreement between this company and the German American Insurance Company of New York, which became effective January 1, 1907 (a copy of which is part of the report on examination of this company under date of March 1, 1909), the entire direct business of this company, together with its portion of the business of the German Alliance Insurance Association, immediately becomes the business of the German American. Under said agreement, the German American cedes to the German Alliance a portion of certain of the total risks on its (German American) books, irrespective of which company originally issued the policy.

Annual Statement

The surplus of \$850,473.57, as reported by the company in its annual statement filed with the Department for the year ending December 31, 1913, has as a result of this examination been increased \$29,166.27, making a total surplus of \$879,639.84.

The increase in surplus is accounted for as follows:

Increase in assets:

Department's market value of bonds and stocks over company's	\$24,314 00
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Decrease in liabilities:

Unpaid losses	4,852 27
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Total increase in surplus.....	<u>\$29,166 27</u>
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GERMAN AMERICAN INSURANCE COMPANY

*Examined to ascertain condition December 31, 1913.**Report dated April 13, 1914.**Examiner: Isaac Fuld.**Ledger Assets*

Book value of real estate.....	\$2,678,347 74
Mortgage loans on real estate (first liens).....	83,600 00
Book value of bonds and stocks.....	17,679,783 81
Cash in office.....	13,003 24
Cash in bank and trust companies, not on interest.....	86,919 80
Cash in bank and trust companies, on interest.....	694,013 20
Agents' balances, representing business written subsequent to September 30, 1913.....	1,771,297 13
Agents' balances, representing business written prior to October 1, 1913	50,380 06
Bills receivable taken for premiums.....	101,911 07
Total ledger assets.....	\$23,159,256 05

Non-Ledger Assets

Interest accrued on mortgage loans.....	1,870 00
Interest accrued on bonds.....	139,645 13
Interest accrued on bank deposits.....	3,994 33
Rents accrued	3,865 92
Gross assets	\$23,308,631 43

Deduct Assets Not Admitted

Agents' balances, representing business written prior to October 1, 1913.....	\$50,380 06
Bills receivable, taken for farm risks, past due.....	3,862 04
Book value of bonds and stocks over market value	724,583 66
Book value of real estate over market value...	158,547 74
Unauthorized investment	230,880 00
Excess of bills receivable credited over unearned premium liability charged thereon.....	22,846 40
	<u>1,191,099 90</u>
Total admitted assets.....	\$22,117,531 53

Liabilities

Unpaid losses	\$878,528 03
Unearned premiums:	
On one year risks.....	\$2,725,004 47
On term risks.....	6,695,863 89
	9,420,868 36
Sundry unpaid bills.....	33,042 10
Taxes accrued (estimated).....	140,000 00
Reinsurance premiums	171,087 69
Rent paid in advance.....	780 75
Premiums on business placed with other companies.....	3,141 15
Total liabilities except capital.....	\$10,647,448 08
Capital	\$2,000,000 00
Special reserve fund.....	1,000,000 00
Guaranty surplus fund.....	1,000,000 00
Surplus	7,470,083 45
Surplus as regards policyholders.....	11,470,083 45
Total liabilities	<u>\$22,117,531 53</u>

Financial Statement

The foregoing financial statement shows the company to be in possession of a surplus above its capital, special reserve and guaranty surplus funds amounting to \$7,470,083.45. Such statement is the result of an examination of the books and records of the company at its home office in New York City and its branch offices in Rochester, N. Y., and Chicago, Ill., and sworn statements obtained from the managers of the company's Pacific Coast branch offices in San Francisco, Cal.

Bills Receivable

The item, "Bills receivable taken for premiums, \$101,911.07," represents the balance unpaid at date of this examination, of notes originally taken for premiums on farm risks by the Capital, Merchants and Bankers' Insurance Company of Des Moines, Iowa, and turned over by them to this company, upon the execution of the reinsurance contract entered between the companies on January 3, 1913. From this amount has been deducted, as non-admitted assets, \$3,862.04 for notes past due, and \$22,829.52, being the difference between the sum of the notes unmatured and the unearned premium liability charged thereon.

Unauthorized Investment

Included in the list of securities owned, set forth in the attached Exhibit "B" are 962 shares of North Carolina Home Insurance Company stock, having a par value of \$96,200, and a market value of \$230,880. For the reason that such investment is not in accordance with the provisions of section 16 of the Insurance Law, the market value of this stock has been deducted as a non-admitted asset. This matter has been fully explained in the report on examination of this company under date of February 25, 1911, and had the consideration of the Department at that time.

Premiums on Business Placed with Other Companies

The item \$3,141.15, carried as a liability, represents unpaid premiums on business placed with other companies for which Vice-President Smith acts as local agent; this sum is included in the asset item of cash in bank, therefore a corresponding liability is charged. The subject of Vice-President Smith's local agency was fully set forth and explained in the report on previous examination hereinabove referred to.

All other asset and liability items have been verified and computed in the usual manner.

Organization and History of Company

The German American Insurance Company of New York, a stock fire insurance company, was organized in March, 1872.

On May 8, 1911, the company merged with the Rochester German Insurance Company, of Rochester, N. Y., continuing business under its original name, with a capital of \$2,000,000 divided into 20,000 shares of stock of the par value of \$100 each. The charter, which expires March 6, 1932, was amended in March, 1913, by increasing the number of directors from sixteen to seventeen, and granting the corporation all powers conferred by section 110 of the Insurance Law.

The company operates under sections 130, 131 and 132 of the Insurance Law, and policies of insurance are issued in accordance with said sections. Except in the State of Vermont, the company transacts business in every state and territory of the United

States, the Hawaiian Islands and in Canada. The net annual premium income is over \$9,000,000.

Under the title "Rochester German Underwriters' Agency," the company issued an underwriters' agency policy, which was approved by the Department. This policy is issued in Canada, and in every state of the United States, excepting the states of Arizona, New Mexico and Vermont. The net business transacted annually through this agency is over \$1,500,000.

In addition to its home office in this city, the company has four branch offices. The locations, with the names of their respective managers or general agents, are as follows:

Rochester, N. Y., F. W. Jenness, Manager.

Chicago, Ill., W. H. Sage, Manager.

San Francisco, Cal., George H. Tyson, General Agent.

San Francisco, Cal. (Rochester German Underwriters' Agency), George O. Hoadley, Manager.

Dividends to Stockholders

Beginning with July, 1911, to date of this examination, a semi-annual dividend of 15 per cent. was declared and paid to stockholders.

Capital Stock

An examination of the stock ledger and stock certificate books evidences the fact that on December 31, 1913, there were outstanding 20,000 shares of stock of the total par value of \$2,000,000.

Reinsurance Contracts

In the course of its business the company reinsured either a portion or all of the outstanding risks of various fire insurance companies. The following is a list of such reinsurances, together with the dates when they became effective, and the amount of premiums ceded:

<i>Name of Company</i>	<i>Date</i>	<i>Amount of premiums</i>
Southern Fire Insurance Co. of Lynchburg, Va.	Sept. 10, 1909	\$201,367 74
Seaboard Fire & Marine Insurance Co. of Galveston, Tex.	Dec. 31, 1910	56,397 48
Western Reserve Insurance Co. of Cleveland, Ohio	Dec. 15, 1911	81,482 09

Seaboard Fire Insurance Co. of Norfolk, Va..	May 27, 1912	\$127,014 18
Prussian National Insurance Co., U. S. Branch, of Stettin, Germany.....	June 4, 1912	30,585 27
Capital, Merchants & Bankers Insurance Co. of Des Moines, Iowa.....	Jan. 3, 1913	414,339 96
Imperial Fire Insurance Co. of Denver, Colo..	May 5, 1913	243,123 71
Virginia State Insurance Co. of Richmond, Va.	Sept. 27, 1913	230,000 00
Fidelity Insurance Co. of Des Moines, Iowa..	Oct. 18, 1913	77,058 00
American Home Fire Insurance Co. of Green- ville, South Carolina.....	Dec. 14, 1913	80,000 00

Under an agreement dated January 1, 1907, the company assumes all business written by the German Alliance Insurance Company of New York and reinsures with the said German Alliance a portion of certain risks written by both the German American and the German Alliance Insurance Companies.

On December 1, 1911, the company executed a reinsurance contract with the Cologne Reinsurance Company of Cologne, Germany. This contract superseded a contract dated April 14, 1902.

Annual Statement

The surplus, including the special reserve and guaranty surplus funds, of \$9,245,855.55 reported by the company in its annual statement for the year ending December 31, 1913, filed with the Department, has, as a result of this examination, been increased \$224,227.90, making a total surplus, including the two funds above named, of \$9,470,083.45.

The following statement shows the details accounting for such increase in surplus.

Increase of Assets

Interest accrued on bank deposits.....	\$385 93
Department's market value of bonds and stocks over company's values.....	174,186 15
Department's valuation of real estate over com- pany's value	69,800 00
	\$244,372 08

Decrease of Assets

Excess of bills receivable credited over un- earned premium liability.....	22,846 40

Net increase of assets.....	\$221,525 68
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Decrease in Liabilities

Reduction in unpaid losses.....	\$11,029 47
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Increase in Liabilities

Sundry unpaid bills.....	8,327 25
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Net decrease in liabilities.....	\$2,702 22
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Total increase in surplus.....	\$224,227 90
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Surplus reported in annual statement.....	9,245,955 55
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Surplus as shown in this report.....	\$9,470,083 45
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GERMANIA FIRE INSURANCE COMPANY

NEW YORK

Verification of assets December 31, 1913.

Report dated February 10, 1914.

Examiner: Richard A. Elmer.

This examination did not contemplate a thorough investigation of the condition and affairs of the company, but was confined to a verification of the assets owned on December 31, 1913, as listed in the company's report to this Department, such verification being requested by the company in connection with the company's application to enter and transact the business of fire insurance in the State of Louisiana.

The assets of the company on December 31, 1913, were found to have been as follows:

Ledger Assets

Book value of real estate.....	\$750,000 00
Mortgage loans on real estate.....	492,500 00
Book value of bonds and stocks.....	5,493,254 31
Cash in office.....	628 44
Advances to agents.....	1,032 00
Deposits in banks.....	529,245 74
Agents' balances representing business written subsequent to October 1, 1913.....	534,192 75
Agents' balances representing business written prior to October 1, 1913.....	10,197 30
Total ledger assets.....	\$7,811,050 54

<i>Non-Ledger Assets</i>	
Accrued interest on mortgages.....	\$7,200 60
Accrued interest on bonds.....	37,592 76
Accrued interest on bank deposits.....	1,068 57
Rents due and accrued.....	394 99
Total	\$46,256 92
Market value of real estate over book value.....	58,500 00
Gross assets	\$7,915,807 46
<i>Deduct Assets Not Admitted</i>	
Agents' balances representing business written prior to October 1, 1913.....	\$10,197 30
Book value of bonds and stocks over market value	512,420 81
Advances to agents.....	1,032 00
	523,650 11
Total admitted assets.....	<u><u>\$7,392,157 35</u></u>

GLEN COVE MUTUAL INSURANCE COMPANY

GLEN COVE, N. Y.

Examined to ascertain condition June 30, 1913.

Report dated October 30, 1913.

Examiner: Richard A. Elmer.

Organization

The Glen Cove Mutual Insurance Company was incorporated March 27, 1837; on the twenty-ninth day of March, 1857, the charter was renewed and continued for a term of twenty years subject to the provisions of the act entitled "An act to provide for the incorporation of fire insurance companies," passed June 26, 1853, as relates to mutual fire insurance companies; on the twentieth day of March, 1877, an act was passed renewing and extending the charter for twenty years from the twenty-ninth day of March, 1877, and on May 1, 1895, an act was passed to extend the corporate existence and charter of the company for a period of thirty years from and after the twenty-ninth day of March, 1897.

Financial Condition: The assets and liabilities on June 30, 1913, were found to have been as follows:

<i>Ledger Assets</i>	
Book value of real estate.....	\$20,000 00
Mortgage loans on real estate.....	115,800 00
Book value of bonds.....	9,825 00
Cash in office.....	869 67
Bank deposits	12,634 89
Agents' balances under three months.....	4,713 01
Agents' balances over three months.....	1,030 11
Due for reinsurance.....	69 00
Total ledger assets.....	\$164,941 68

<i>Non-Ledger Assets</i>	
Interest accrued on mortgages.....	\$1,814 31
Interest accrued on bonds.....	90 48
Interest accrued on banks deposits.....	22 39
Market value of real estate over book value...	7,000 00
Market value of bonds over book value.....	75 00
	9,002 18
Gross assets	\$173,943 86

<i>Deduct Assets Not Admitted</i>	
Agents' balances over three months.....	1,030 11
Total admitted assets.....	\$172,913 75

<i>Liabilities</i>	
Unpaid losses	\$4,435 43
Unearned premiums	34,873 50
Due for reinsurance.....	2,071 56
Contingent commission	460 13
Accrued taxes, bills, etc.....	419 72
Suspended accounts (credit balances due retired members)	16,000 00
Total liabilities except surplus.....	\$58,260 34
Surplus to policyholders.....	114,653 41
Total liabilities	\$172,913 75

The income and disbursements from January 1, 1913, to June 30, 1913, were as follows:

Balance (ledger assets) December 31, 1912.....	\$158,272 93
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<i>Income</i>	
Gross premiums	\$27,827 37
Deduct reinsurance	\$5,445 06
return premiums	2,155 19
	7,600 25
Total premiums	\$20,227 12
Interest on mortgage loans.....	3,422 23
Interest on bonds.....	119 79
Interest on bank deposits.....	76 97
Rents	940 82
Reinsurance commissions	1,300 98
Total income	\$26,087 91
Total	\$184,360 84
<i>Disbursements</i>	
Gross losses	\$9,024 61
Less reinsurance	2,182 71
Net losses paid.....	\$6,841 90
Adjustment expenses	47 31
Commissions	4,992 69
Salaries	4,003 05
Settlements with retiring members.....	517 96
Real estate expenses.....	767 96
Taxes	543 00
Expense of management.....	1,405 29
Rent	300 00
Total disbursements	19,419 16
Balance (ledger assets) June 30, 1913.....	\$164,941 68

Assets: The real estate owned represents the home office building of the company in the village of Glen Cove. This property is carried at a market value of \$27,000, and though no appraisal of same has been made by the Department, from the size of the lot and the character of the building thereon, this valuation would appear to be very conservative.

The mortgage loans on real estate amounting to \$115,800 are principally on properties located in Glen Cove and the neighboring villages, and though no appraisals have been made, it is believed that these loans are sufficiently secured.

Liabilities: The unpaid losses were found to aggregate \$4,435.43. Among these losses, however, are two claims amounting to \$1,650, upon which the company does not consider itself liable, and from the facts presented such would appear to be the case. The liability charged, therefore, may be excessive by the aforesaid \$1,650.

The liability reported on account of the unearned premium reserve is \$34,873.50, and is the amount carried by the company in its semi-annual statement. The company at the present time has no reserve records that can be readily tested or checked, and in order to ascertain the exact amount of this liability it would be necessary to list and calculate the premiums in force from the monthly accounts and bordereaux. In this case it was not considered necessary to go to the expense of time and labor, and the reserve reported in the foregoing statement is believed to be ample to provide for this liability.

The liability for suspended accounts is explained hereinafter under the heading "Special Accounts."

Records and Accounts: The books and accounting system may be termed somewhat old-fashioned, and certain improvements should be made in same. These matters were taken up with the secretary of the company, who advises that he has had these questions under consideration for some time and would shortly introduce various improvements.

Method of Issuing Policies: The company was organized as a mutual concern, but in recent years has written policies under two plans, namely:

(1) *Mutual Plan:* The policyholders insuring under this plan become members of the company and participate in the mutual features. These members give a deposit note amounting to twenty times the face of the premium, and under the provisions of the charter these notes may be assessed for losses or damage by fire, and if the whole amount of the deposit notes shall be insufficient to pay the said losses, the members may be further assessed not exceeding one dollar for every hundred dollars insured in the company. I am informed that, during the corporate existence of the company, no assessment has ever been levied. The policies are written for one year, and at the expiration of same, the deposit

note will be returned on demand and the policyholder ceases to be a member of the company. It has also been the practice of the company to permit a member to withdraw in cash any balance appearing to his credit in his individual account, a withdrawal charge of 1 per cent. being made on his deposit note; or if his credit balance has reached an amount equal to five times the premium due, the company will issue a policy free for the year.

(2) Whole Cash Premium Plan: These policies are issued for terms of one, three or five years. The policyholder pays in cash the whole amount of the premium, does not become a member of the company or become liable for any assessments, and to all intents and purposes is in the same position as though he was insured in a stock corporation.

Special Accounts: In the early years of the company's existence an individual account was opened with each member, the company crediting these accounts with the premiums paid and charging the proportion of the annual losses, the deposit note being taken as a basis. In the last few years, each of the said accounts has been credited, in addition to the above, with 2 per cent. per annum on the account of the individual deposit note, this 2 per cent. being charged against the "Surplus Fund" account.

The "Surplus Fund" account referred to above was opened in 1878 with a credit of \$1,396.52, and has been annually increased by the receipt of survey fees, carpenters' risks, premiums received on term business, interest received from mortgage loans, income from office building, and the 1 per cent. withdrawal charge against retiring members. On December 31, 1911, the credit balance of this fund amounted to \$18,851.73.

In connection with the individual accounts of the members, the company carries a "Suspended Account," which has been accumulated in the following manner: When retiring members have failed within a year or two to claim the balances to the credit of their individual accounts, these accounts are closed and the balances carried to the "Suspended Account." This account is neither charged with losses or credited with gains or interest. At the date of the writing of this report, the debits and credits for the year 1912 have not been entered, and the last balance on the books, December 31, 1911, showed a credit balance of \$51,639.56.

In view of the fact that these accounts represent the earned and apportioned profits of retired members, and that it has been the practice of the corporation to distribute such profits upon the demand of members credited with same, either in cash upon withdrawal from the company, or by way of credit on account of premiums due on new policies, it would appear proper that a liability should be carried to provide for the said accounts.

The company took exception to this position, and a hearing was held in accordance with the statutory requirements on September 12, 1913, at the New York office of this Department. before the Superintendent of Insurance, and at the said hearing the company was represented by counsel to present their views in the premises.

As a result of this hearing the Superintendent ruled that the aggregate of the items going to make up the suspended account, which belonged to the policyholders who have withdrawn from the company within the last six years, and against which the defense of the statute of limitations cannot be interposed, be carried as a liability of the company.

Therefore, an item of \$16,000, which represents the approximate amount of the credit balances due policyholders who have withdrawn from the company within the last six years, has been reported in the foregoing financial statement as a special liability.

In this connection it is respectfully recommended that the company be advised as follows:

(1) That the practice of the company for the past seventy-five years in apportioning to the holders of its mutual policies the net annual earnings of the corporation has the unqualified approval of this Department and should, in its opinion, be continued.

(2) That the company be recommended to establish the further practice of advising retiring policyholders, upon the expiration of their policies without renewal, of the amount standing to the credit of such policies on the books of the company.

Underwriting: The company is a member of the Suburban Fire Insurance Exchange, and is represented through a general agent in the New York Fire Insurance Exchange. The rates on new business written since the company has been affiliated with these Exchanges are the tariff rates, no discrimination being made

between the mutual and whole cash premium policies. The mutual policyholders, however, participate in the mutual features, and mutual members whose policies antedate the company's affiliation with the Exchanges are allowed to renew their policies at rates less than the tariff rates. This is done under a written agreement with the Suburban Fire Insurance Exchange, the said agreement reading in part as follows:

" * * * yet reserving to the Glen Cove Mutual Insurance Company the privilege of participation in the profits of mutual business on the same basis and conditions as have been heretofore enjoyed by the mutual policyholders of said company."

During recent years the mutual business of the company has been decreasing, while the business written on the whole cash premium plan has been increasing. According to the records, the mutual insurance in force, the cash premium insurance in force, and the deposit notes in force for the last five years were as follows:

	<i>Mutual Insurance</i>	<i>Cash Premium Insurance</i>	<i>Deposit Notes</i>
1908	\$7,264,492	\$2,812,510	\$573,801
1909	6,944,762	3,326,726	552,365
1910	6,568,003	4,077,391	513,462
1911	6,012,035	5,123,173	487,006
1912	5,790,146	6,998,169	462,722

It will be seen from the above that the company is steadily losing its mutual features, and that the bulk of its business is now being conducted on stock company lines. This would appear to be further accentuated by the fact that the company on May 10, 1911, entered into a contract with a prominent firm of insurance agents whereby the said agents were appointed general agents for the company to write non-mutual policies in the city of New York and State of New York outside of the counties of Queens, Nassau and Suffolk.

From an examination of the business written through these general agents, it would appear that the risks assumed for the Glen Cove are mainly reinsurance of policies written by the general agents for stock companies, and that very few Glen Cove policies are issued direct to the insured. The Glen Cove also has arrangements with stock companies whereby reinsurance of portions of its own risks may be effected.

In explanation of the change in the underwriting policy of the company, the secretary advises that the character of the risks have altered on Long Island; that the city people living in the many new suburban resorts will not accept a mutual policy; that competition was encountered with stock companies; that it was necessary to enter into agreements with tariff associations to avoid ruinous competition, and that at the present time the officers and directors are considering the advisability of converting the mutual company into a stock corporation.

In this connection it is proper to call attention to the fact that the mutual members would be liable and could be assessed for losses incurred through the operations of the company on the cash premium plan, and that the underwriting policy of the company at the present time appears to be at variance with the intent and principles of the company as originally incorporated.

GLOBE AND RUTGERS FIRE INSURANCE COMPANY

NEW YORK, N. Y.

Examined to ascertain condition June 30, 1913.

Report dated September 4, 1913.

Examiner: Isaac Fuld.

Ledger Assets

Book value of real estate.....	\$72,945 00
Mortgage loans on real estate (first liens)	108,700 00
Book value of bonds and stocks	6,718,663 20
Cash in office.....	1,657 58
Cash in bank and trust companies.....	149,117 36
Agents' balances representing business written subsequent to March 31, 1913.....	810,409 99
Agents' balances representing business written prior to April 1, 1913	29,024 02
Total ledger assets.....	\$7,890,517 16

Non-Ledger Assets

Interest accrued on bonds.....	17,232 27
Interest due and accrued on mortgage loans.....	1,503 96
Market value of real estate over book.....	2,055 00
Due for reinsurance on paid losses.....	69,764 07
Gross assets	\$7,981,072 48

Deduct Assets Not Admitted

Agents' balances representing business written prior to April 1, 1913.....	\$29,024 02	
Book value of bonds and stocks over market value	596,948 10	
		\$625,972 12
Total admitted assets.....		<u>\$7,355,100 36</u>

Liabilities

Unpaid fire losses.....		\$656,105 85
Unearned premiums:		
One year risks.....	\$1,932,840 82	
Term risks	1,134,618 96	
		3,068,459 78
Sundry unpaid bills		3,677 78
Borrowed money and accrued interest thereon.....		537,950 00
Taxes accrued on premiums (estimated).....		20,000 00
Reinsurance premiums		8,698 60
Due First Bohemian Reinsurance Bank on account of reinsurance treaty and accrued interest thereon.....		46,265 67
Total liabilities except capital.....		<u>\$4,341,157 68</u>
Capital	\$400,000 00	
Surplus	2,613,942 68	
Surplus to policyholders.....		3,013,942 68
Total liabilities		<u>\$7,355,100 36</u>

Mortgage Loans: Among the mortgage loans held by the company is a loan made October 7, 1907, to E. C. Jameson, in the sum of \$18,500, which was on December 1, 1912, assumed by Hilary R. Chambers upon his purchase of the real estate covered by said loan, and another made April 30, 1909, of \$45,000, to E. C. Jameson.

Hilary R. Chambers is a director, and E. C. Jameson is president of this corporation. It would appear that the making of said loans to an officer and to a director of the company are transactions in violation of the provisions of section 36 of the Insurance Law.

Unpaid Losses: The liability for unpaid losses was ascertained by a thorough examination of the loss registers, claim papers and correspondence in connection therewith. Included in the amount

carried as a liability on this account is the sum of \$67,698.49 for losses incurred on or before June 30, 1913, the date of this examination, but reported subsequent thereto.

Unearned Premiums: The unearned premium liability of \$3,068,459.78 was computed upon a pro rata basis and is \$82,212.88 in excess of the amount chargeable if computed in accordance with the requirements of the annual statement blank — that is, on the half yearly basis.

Borrowed Money: On date of this examination the company was indebted to the firm of Stout & Company, 25 Broad street, New York City, in the amount of \$537,950.

Amendments to Charter

In May, 1909, the charter was amended reducing the number of directors from twenty-nine to seventeen. It is pertinent to state that the present board of directors consists of only fifteen, or two less than called for in the charter. The failure to elect a board of directors consisting of the number provided in the company's charter appears to be a violation of the provisions of section 10 of the Insurance Law.

In January, 1911, the charter was further amended, granting the company power to make insurances against loss or damage by water arising from the breakage or leakage of sprinklers, pumps or other apparatus erected for extinguishing fires, and of water pipes, and against accidental injury to such sprinklers, pumps or other apparatus and also insurances upon automobiles.

Dividends to Stockholders

In the years 1909, 1910, 1911 and 1912, the annual dividends paid to stockholders were 40 per cent., and in January, 1913, a semi-annual dividend of 20 per cent. was declared and paid.

Capital Stock

An examination of the stock ledger and stock certificate book evidenced the fact that on June 30, 1913, there were outstanding 4,000 shares of the capital stock of the company of a par value of \$100 each, or a total of \$400,000.

Reinsurance Contracts

In the course of its business the company reinsured either a portion or all of the outstanding risks of various fire insurance companies. The following is a list of such reinsurances effected in December, 1911, or at later dates, all others having expired, together with the date when the reinsurance became effective and the amount of premiums ceded.

<i>Name of Company.</i>	<i>Date.</i>	<i>Amount of Premiums.</i>
Peoples National Fire Insurance Company of Philadelphia, Pa.	Dec. 15, 1911	\$289,177 98
George Home Fire Insurance Company of Georgia	Dec. 20, 1911	60,606 08
Sovereign Fire Assurance Company of Toronto, Canada, U. S. Branch.....	Dec. 31, 1911	31,809 19
Louisville Insurance Company of Kentucky....	Jan. 30, 1912	75,698 69
Franklin Fire Insurance Company of Washington, D. C.	Jan. 31, 1912	135,352 30
Peoples National Fire Insurance Company of Philadelphia, Pa.	March 28, 1912	27,326 17
Sovereign Fire Assurance Company of Toronto, Canada, U. S. Branch.....	Jan. 21, 1913	96,724 73
Potomac Insurance Company of Washington, D. C.	Feb. 25, 1913	101,695 87
Virginia State Insurance Company of Richmond, Va.	March 15, 1913	17,829 34
Manufacturers Lloyds of New York.....	April 15, 1913	4,003 84
Commercial and First National insurance companies of Washington, D. C.	April 22, 1913	11,122 17
Sovereign Fire Assurance Company of Toronto, Canada, U. S. Branch.....	May 2, 1913	14,425 52
Sovereign Fire Assurance Company of Toronto, Canada, U. S. Branch.....	May 9, 1913	58,627 70
Western and Atlantic Fire Insurance Company of Nashville, Tenn.....	May 9, 1913	46,153 84

The company has contracts of reinsurance in force with the Rossia Insurance Company of St. Petersburg, Russia, and the Fire Reassurance Company of Paris, France. These contracts went into effect on July 1, 1911, the contract with the Rossia Insurance Company superseding a contract dated January 5, 1906.

On January 1, 1910, the company entered into a reinsurance contract with the London Lloyds, this contract superseding one dated September 30, 1908.

On September 30, 1911, the company executed a reinsurance contract with the First Bohemian Reinsurance Bank of Prague, Bohemia, a foreign insurance corporation not authorized to transact the business of fire insurance in this State. These later two contracts were executed abroad.

As particularly set forth in a supplemental agreement, the contract with the First Bohemian Reinsurance Bank provides for the retention of 50 per cent. of the yearly premiums as a reserve fund, such agreement reading in part as follows:

"The 'Re-Insurer' agrees to allow, in the manner hereinafter provided, fifty per cent. (50%) of the yearly amount of the premiums resulting from the 'Principal Treaty' to remain with the 'Re-Assured' as a Reserve Fund, bearing interest as hereinafter provided.

"Fifty per cent. of each month's premiums of the first year shall be retained by the 'Re-Assured' as a Reserve Fund until the amount of same reaches fifty per cent. of the first year's premiums.

"Should the premiums of a later year show an increase, said Reserve Fund shall be increased proportionately, and in the event of a decrease of the premiums, said Reserve Fund shall be decreased proportionately.

"The Reserve Fund thus accumulated shall remain the absolute property of the 'Re-Insurer', but the latter agrees not to withdraw same during the continuance of the 'Principal Treaty' and until expiration of all its liabilities under the 'Principal Treaty'.

"The 'Re-Assured' shall pay to the 'Re-Insurer' interest on the amount of the said Reserve Fund at the rate of 4% (four per cent.) per annum, payable semi-annually, on the first day of January and the first day of July each year.

"It is expressly understood and agreed that, should the 'Re-Insurer' at any time enter the United States officially, as an authorized company, the Reserve Fund accumulated under this agreement shall be transferred to the deposit fund required by the insurance laws in the United States."

The sum retained on date of this examination in accordance with the provisions of the above quoted agreement, together with the accrued interest thereon, amounted to \$46,265.67. These funds are deposited in bank to the credit of the Globe & Rutgers Fire Insurance Company and are included in the amount credited as cash in bank in the foregoing financial statement; therefore a corresponding liability for the sum so retained has been charged in said statement.

GREENWICH INSURANCE COMPANY

NEW YORK, N. Y.

*Examined to ascertain condition June 30, 1913.**Report dated September 2, 1913.**Examiner: Charles H. Gardner.*

Ledger assets, December 31, 1912.....	\$381,052 66
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Income

Net premiums	129,138 01
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Interest and dividends	7,621 08
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Total	\$517,811 75
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Disbursements

Net losses paid.....	\$96,285 94
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Adjustment expenses	726 55
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Commissions and brokerage.....	31,237 85
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Salaries, fees, etc., of officers and employees....	3,100 00
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Office expenses, taxes, etc.	2,314 97
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Total disbursements	133,665 31
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Balance	\$384,146 44
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Assets

Book value of bonds.....	\$207,545 12
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and stocks.....	117,895 00
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	\$325,440 12
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Cash in company's office.....	79 64
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Deposits in trust companies and banks.....	8,935 45
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Agents' balances within 90 days.....	47,064 80
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Agents' balances over 90 days.....	2,726 34
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Total ledger assets.....	\$384,146 44
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Non-Ledger Assets

Interest accrued on bonds	\$1,975 51
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Interest accrued on bank balance	311 09
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	2,286 60
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Gross assets	\$386,433 04
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Deduct Assets Not Admitted

Book value of bonds and stocks over market	
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value	\$16,330 12
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Agents' balances over 90 days due.....	2,726 34
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	19,056 46
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Total admitted assets.....	\$367,376 58
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<i>Liabilities</i>	
Gross amount of unpaid losses.....	\$48,280 69
Less reinsurance	375 00
Net amount of unpaid losses.....	\$47,905 69
Gross premiums less reinsurance on unexpired risks running for one year, \$203,979.58; pro rata unearned	\$107,003 26
Gross premiums less reinsurance on unexpired risks running for over one year, \$34,081.59, pro rata unearned	23,994 10
Total unearned premiums as computed above.....	130,997 36
Adjustment expenses	235 41
Accrued taxes	600 00
Old stockholders account.....	151 85
Total liabilities except capital stock.....	\$179,890 31
Capital stock	\$200,000 00
Impairment of capital.....	12,513 73
Surplus as regards policyholders.....	187,486 27
	<u>\$367,376 58</u>

The Greenwich Insurance Company of New York was organized in the year 1834. The company has transacted the business of fire insurance up to the present time, with the exception that after the Baltimore conflagration of 1904, the company discontinued operations, as its capital was found to be impaired. In the year 1910 the capital was made good by an assessment of .6867 per cent. on the face value of the outstanding stock. A Department report dated September 2, 1910, on examination of said company showed the capital intact and, in addition thereto, a surplus of \$44,691.99 over and above its capital and other liabilities.

Impairment of Capital

The financial condition of the company, as set forth in the foregoing statement, shows an unsatisfactory state of affairs. As the liabilities, including the capital of \$200,000, amount to \$379,890.31, and the total admitted assets are \$367,376.58, there is a deficiency in the assets in the sum of \$12,513.73. This results in an impairment of the capital of the company to the extent of said \$12,513.73.

On the completion of this examination an investigation was made of the company's transactions during the month of July,—one month later. As the result of same it was found that the loss claims reported during said month had increased in amount to such an extent that the impairment of capital on July 31, 1913, was approximately \$25,000. A complete examination of all items entering into said monthly account was not made, but it would appear from such investigation that the company's financial condition had not improved as a result of further operations.

Assistant Examiner C. E. Woodman participated in the work of this examination.

HAMBURG ASSURANCE COMPANY — UNITED STATES BRANCH

HAMBURG, GERMANY

Verification of capital statement as of March 9, 1914.

Report dated March 11, 1914.

Examiner: Charles H. Gardner.

Assets

Deposited with Superintendent of Insurance of the State of New York:

<i>Description</i>	<i>Par value</i>	<i>Market value</i>	
City of New York 3s due 1920..	\$100,000 00	\$92,810 00	
City of New York 3s due 1921..	85,000 00	78,115 00	
City of New York 3½s due 1918	30,000 00	29,118 00	
Total par and market value.	\$215,000 00	\$200,043 00	\$200,043 00

Deposited with United States Trustee:

Description

Cash deposited with New York Life Insurance and Trust Company of New York.....	299,957 00
Total gross assets in the United States deposited with Insurance Department and trustees.....	\$500,000 00

Liabilities

Total liabilities in the United States capital under section 27 of the Insurance Law.....	\$500,000 00
Total (being gross assets reported above).....	<u>\$500,000 00</u>

The total gross assets reported above in the sum of \$500,000 consisting of securities and cash on deposit were verified in the following manner:

The securities representing a par value of \$215,000 and a market value of \$200,043 are deposited with the Insurance Department of the State of New York for the benefit and protection of the company's policyholders in the United States. Attached to this report is a Department certificate under date of March 9, 1914, evidencing such deposit.

The cash amounting to \$299,957 was certified to by the New York Life Insurance and Trust Company of New York, United States trustee of the company (certificate attached hereto) as being on deposit with said corporation on March 9, 1914.

HANOVER FIRE INSURANCE COMPANY

NEW YORK, N. Y.

Examined to ascertain condition March 31, 1913.

Report dated August 21, 1913.

Examiner: Isaac Fuld.

Ledger Assets

Book value of real estate.....	\$906,581 06
Mortgage loan on real estate (first lien).....	3,500 00
Book value of bonds and stocks.....	3,160,045 33
Cash in office.....	2,775 47
Cash in bank and trust companies.....	141,678 13
Agents' balances representing business written subsequent to December 31, 1912.....	501,296 05
Agents' balances representing business written prior to January 1, 1913	35,609 90
Deposit with Philadelphia Underwriters.....	200 00
Total ledger assets.....	<u>\$4,751,685 94</u>

*Non-Ledger Assets**Interest accrued:*

On bonds	\$20,800 38
On mortgage loan	58 33
On deposits	449 20
Rent accrued	691 67
Due for reinsurance on paid losses	34,008 90
Market value of real estate over book value	222,891 94

Gross assets	\$5,030,586 36
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Deduct Assets Not Admitted

Agents' balances representing business written prior to January 1, 1913	\$35,609 90
Book value of bonds and stocks over market value	119,387 33

Total	154,997 23
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Total admitted assets	\$4,875,589 13
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Liabilities

Unpaid fire losses	\$291,953 35
Unearned premiums:	
On one year risks	\$781,663 62
On term risks	1,920,157 82
Total unearned premiums	2,701,821 44
Sundry unpaid bills	8,109 94
Taxes due and accrued on premiums	24,572 85
Taxes accrued on real estate	3,733 12
Commissions	10,844 22
Return premiums	697 97
Reinsurance premiums	52,338 36
Rents paid in advance	3,388 00
Dividends declared	40,000 00

Total liabilities except capital	\$3,137,459 25
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Capital	\$1,000,000 00
Surplus	738,129 88

Surplus to policyholders	1,738,129 88
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Total liabilities	\$4,875,589 13
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Financial Statement

The foregoing financial statement shows a surplus to the company in excess of its capital stock of \$738,129.88. Such statement is the result of an investigation of the company's records

at its home office in New York city, combined with the figures contained in sworn statements received from Charles W. Higley, general agent in charge of its Western Department in Chicago, Ill.

Special Deposits

Included in the list of securities owned, as set forth in schedule "A," the company has on deposit with the general fiscal officer of the states named below, the following securities for the benefit and protection of its policyholders residing therein:

<i>State</i>	<i>Description</i>	<i>Par value</i>	<i>Market value</i>
Georgia	State of Georgia 3½% bonds, 1917	\$5,000	\$4,950
	State of Georgia 3½% bonds, 1927	5,000	4,850
Virginia	City of Richmond, Va., 5% bonds, 1922	50,000	52,000

Satisfactory documentary evidence was obtained covering the above deposits.

To conform with the statutory requirements of various states, the company has filed with the officers of such states surety bonds as follows:

<i>States</i>	<i>Amount of bond</i>
Arkansas	\$20,000
Florida	20,000
Louisiana	20,000
North Carolina	20,000
Oregon	25,000
South Carolina	10,000
Texas	15,327

Amendments to and Extension of Charter

In October, 1911, the charter was amended granting the company the following additional powers:

"The kind of business to be done by said company is hereby extended so as to permit the making by said company of insurance against loss or damage by lightning, earthquakes, or from the breaking or leakage of sprinklers, pumps or other apparatus erected for extinguishing fires, and water pipes, and against accidental injury to such sprinklers, pumps or other apparatus; and making insurance upon vessels, freights, goods, wares, merchandise, specie, bullion, jewels, profits, commissions, bank notes, bills of exchange, and other

evidences of debt, bottomry and respondentia interests, and every insurance appertaining to or connected with marine risks and risks of transportation and navigation, including insurances upon automobiles, whether stationary or being operated under their own power, which shall include all or any of the hazards of fire, explosion, transportation, collision, loss by legal liability for damage to property resulting from the maintenance and use of automobiles and loss by burglary or theft, or both, but shall not include insurances against loss by reason of bodily injury to the person * * *."

In January, 1912, the charter was further amended reducing the number of directors from forty to thirty.

At the annual meeting of the stockholders held in January, 1912, a board of directors consisting of thirty members was elected, one of whom died during the year 1912. The vacancy created thereby has not been filled and the present board consists of only twenty-nine members. Section 14 of the company's charter provides that "the number of directors of the company may be changed by the vote of two-thirds of all the directors in office at any time not within thirty (30) days next previous to an election."

In January, 1912, the term of the charter was extended for a period of thirty years from April 15, 1912.

Dividends to Stockholders

In the years 1909 and 1910 the annual dividends paid to the stockholders were 12½ per cent. and 15 per cent. respectively, in 1911 and 1912 16 per cent. was paid in each year, and in March, 1913, a quarterly dividend of 4 per cent. was declared payable in April, 1913.

Capital Stock

An examination of the stock ledger and stock certificate books evidenced the fact that on June 14, 1913, there were 20,000 shares of stock outstanding in the aggregate par value of \$1,000,000.

THE HOME INSURANCE COMPANY

NEW YORK, N. Y.

Examined on increase of capital from surplus as of July 1, 1913.

Report dated July 18, 1913.

Examiner: Charles H. Gardner.

Assets

Mortgage loans	\$21,300 00
Book value of bonds	\$16,702,749 76
Book value of stocks	13,483,297 54
	30,186,047 30
Cash in bank and trust companies	1,521,432 51
Agents' balances within 90 days	2,620,892 01
Agents' balances over 90 days due, etc.	230,715 19
Total ledger assets	\$34,580,387 01

Non-Ledger Assets

Interest accrued	163,320 74
Gross assets	\$34,743,707 75

Deduct Assets Not Admitted

Book value of bonds and stocks over market value	\$2,036,047 30
Agents' balances over 90 days due, etc.	230,715 19
Total	2,266,762 49
Total admitted assets	\$32,476,945 26

Liabilities

Unpaid losses	\$1,251,569 36
Unearned premium fund	12,748,620 00
Reinsurance premiums due	189,254 29
Commissions due	92,276 60
Reserve for taxes (estimated)	200,000 00
Reserve for miscellaneous account due and unpaid	100,000 00
Liabilities except capital	\$14,581,720 25

Capital	\$3,000,000 00
Special reserve fund.....	1,500,000 00
Guaranty surplus fund	1,500,000 00
Surplus, including conflagration reserve of \$1,800,000	11,895,225 01
Surplus to policyholders.....	\$17,895,225 01
Total liabilities	<u>\$32,476,945 26</u>

The figures entering into the above financial statement were verified from the company's books of record. No detailed examination was made of the several asset and liability items, other than a verification of the item "cash in bank" amounting to \$1,521,432.51, and an examination and personal count of the bonds and stocks owned representing a face value of \$30,186,047.30.

The company's surplus on July 1, 1913, prior to the proposed increase in its capital, was \$11,895,225.01, which sum does not take into account the company's capital of \$3,000,000 and its special reserve and guarantee surplus funds of \$1,500,000 respectively.

The financial condition of the company on date of this examination indicates an accumulation of sufficient surplus funds to provide for an increase in its capital from \$3,000,000 to \$6,000,000.

It was ascertained from correspondence on file with this Department that the company has filed the necessary certificates in the matter of increasing its capital. The proceedings taken in the matter were in accordance with the provisions of section 117 of the Insurance Law. This increase is a distribution of surplus funds and is similar in character to an extra dividend. Therefore, it would appear that recourse to the requirements contained in sections 62, 63 and 64 of the stock corporation law was unnecessary.

On June 10th, 1913, at a regular meeting of the Board of Directors resolutions were adopted authorizing an increase in the company's capital from \$3,000,000 to \$6,000,000.

This increase in capital was distributed in stock pro rata among the stockholders of record on date of July 8th, 1913. Such dis-

tribution was made in the proportion of one share of new stock for every share of stock held by each stockholder as recorded on the books of the company. An examination and comparison of the stock ledger with the new stock certificate books shows that thirty thousand (30,000) shares of new stock had been issued pro rata for thirty thousand (30,000) shares of old stock each of a par value of one hundred (\$100) dollars.

As a result of the above action taken by the directors of the company, the capital was increased from \$3,000,000 to \$6,000,000, and the thirty thousand (30,000) shares of stock outstanding were likewise increased to sixty thousand (60,000) shares of a par value of \$100 each.

This company operates under the guaranty surplus and special reserve fund law. Prior to increasing capital such funds amounted to \$1,500,000 each. After the capital increase had been effected the two funds were increased accordingly to the sum of \$3,000,000 each, the security representing the special reserve fund being deposited, according to law, with the Insurance Department at Albany.

INTERNATIONAL REASSURANCE COMPANY LTD.— UNITED STATES BRANCH

VIENNA, AUSTRIA

Verification of Capital Statement as of October 30, 1913.

Report dated November 15, 1913.

Examiner: Charles H. Gardner.

This company was authorized to conduct the business of insurance permitted under article 2, section 70, subdivisions 2, 3, 4 (fidelity and surety), 5, 6, 7 and 9 of the New York State Insurance Law, and was admitted in this State through its United States branch on September 9th, 1911, William H. Sale being duly appointed United States manager. The company conducted a reinsurance business confining its operations to health and accident insurance, having treaty contracts with various companies

located in several states of the United States as appear hereafter in this report. The company determined, however, to discontinue the business of health and accident insurance, and to undertake the business of fire insurance. To such end negotiations were entered into with the several companies with which it had health and accident treaties to terminate the several contracts, and an application was made to the Department for admission to transact the business of fire insurance.

This examination was made for the purpose of ascertaining the condition of affairs on the company's application to discontinue the business of health and accident insurance, and for the further purpose of verifying a capital statement submitted to the Department on date of October 30th, 1913, on its application to transact the business of fire insurance in accordance with the provisions of section 27 of the Insurance Law.

From an investigation of the records contained in the office of its United States manager, it was found that the company had taken the necessary steps looking to the cancellation of all treaty contracts, and in addition thereto had also provided payment for all losses reported, with the exception of one claim amounting to \$1,600, which sum has been entered as a liability in the capital statement submitted by the company and particularly referred to below.

While the cancellation of these contracts effected full release in so far as known or existing liability is concerned, the terms of the original agreements still hold the company liable for its proportion of losses sustained to date of cancellation of the contracts, and on which knowledge of such happenings might not on the date of the release be known to the direct writing company.

With the exception of the treaty with the Massachusetts Accident Company of Boston, the International has in its possession documents which appear to be properly executed terminating all treaty contracts. There is, however, correspondence on file in the office of the company indicating that the said Massachusetts Accident Company considers the reinsurance agreement terminated as of May 1st, 1913. Attached to this report are certified copies of the documents referred to above.

Following is a list of the companies with which the International Reassurance Company had reinsurance agreements, also the respective dates upon which the treaties took effect and the dates of cancellation of the same.

<i>Company</i>	<i>Treaty Effectuated</i>	<i>Treaty Canceled</i>
American Assurance Co., Philadelphia.....	5/10/12	6/25/13
Federal Life Insurance Co., Chicago.....	6/15/12	6/23/13
Indemnity Life & Accident Co., Minneapolis, Minn....	5/15/12	6/ 1/13
Indemnity Life & Accident Co., Minneapolis, Minn....	10/10/12	6/ 1/13
Lincoln National Life Insurance Co., Fort Wayne, Ind.	9/ 1/12	4/15/13
Maryland Casualty Co., Baltimore, Md.....	11/ 1/11	6/30/13
Massachusetts Accident Co., Boston.....	11/15/11	5/ 1/13
North American Accident Insurance Company, Chicago, Ill.	10/10/12	6/25/13
Philadelphia Life Insurance Company, Philadelphia, Pa.	12/10/11	3/28/13
Southern Surety Company, St. Louis, Mo.....	9/25/11	12/31/12
Wisconsin National Life Insurance Co., Oshkosh, Wis...	10/ 2/11	6/ 1/13
Wisconsin National Life Insurance Co., Oshkosh, Wis...	6/19/12	6/ 1/13

A verification was made of the capital statement submitted to the Department on the company's application to transact the business of fire insurance, and as a result thereof the financial condition of the United States branch on October 30th, 1913, in accordance with the provisions of section 27 of the Insurance Law was found to be as follows:

<i>Assets</i>			
<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>	
N. Y. City Corp. stock 4s due 1956.....	\$255,000	\$244,800	
Cincinnati Ry. Terminal Reg. 3½s due 1965	150,000	133,500	
Cincinnati Park Extension Reg. 3½s due 1955	11,000	9,900	
Chicago, Burlington & Quincy 4s due 1958	15,000	13,800	
Union Pacific R. R. 4s due 2008.....	10,000	9,200	
Total par and market value.....	\$441,000	\$411,200	\$411,200 00
Cash on deposit with trustee.....			100,000 00
Total gross assets in the United States deposited with In- surance Departments and trustee.....			\$511,200 00

<i>Liabilities</i>	
Unearned premium fund.....	\$34,854 05
Unpaid losses	26,193 88
Return premiums	15,273 30
Contingent liability unadjusted.....	1,600 00
Total liability in the United States.....	\$77,921 23
Capital under section 27 of the Insurance Law.....	433,278 77
Total (being gross assets reported above).....	\$511,200 00

The securities owned by the company represent a par value of \$441,000. Of this amount \$255,000 is deposited with the New York Insurance Department at Albany, \$161,000 with the Insurance Department of the State of Ohio, and the balance \$25,000, with the New York Life Insurance and Trust Company of New York, United States trustee of the company. These securities were verified in the following manner: Those on deposit at Albany from the records of this Department; those on deposit with the Ohio department from a certificate of deposit signed by the Deputy Superintendent of Insurance of said State; and those held by the United States trustee from personal count and examination. The cash on deposit with said trustee was verified from a bank certificate which certified that on October 30th, 1913, \$100,000 was on deposit with the New York Life Insurance and Trust Company of New York.

The liabilities as set forth in the foregoing capital statement, except the contingent liability of \$1,600, are the result of the company's operations under two treaty contracts of fire insurance executed through the home office, one with the National Union Fire Insurance Company of Pittsburgh, Pa., and the other with the American Union Fire Insurance Company of Philadelphia, Pa. All correspondence and a detailed account of each company's operations were reported to the home office direct. There were no records in the office of the United States manager in regard to any business transacted by said companies arising from such treaty contracts.

To ascertain the liability on account of said contracts, it was deemed advisable to make an investigation at the offices of the two reinsuring companies in Pittsburgh and Philadelphia. As a re-

sult of such investigation it was found that on September 30th, 1913, the liability due to the transactions with the National Union of Pittsburgh was the sum of \$50,468.69. The company's obligations resulting from its relations with the American Union of Philadelphia, could not be ascertained with any degree of certainty, for the reason that the affairs of the latter company are in the hands of a receiver, and its accounts at this time will not permit of a complete audit. The liability of \$25,852.54 entered in the capital statement, however, would appear to be amply sufficient to meet all demands that may be made upon it in the final adjustment of the account.

The contingent liability of \$1,600, represents the maximum amount this company may be held to be liable for on the claim against the Massachusetts Accident Company, and which was not disposed of at the date of this examination.

MOSCOW FIRE INSURANCE COMPANY — UNITED STATES BRANCH

Moscow, RUSSIA

Examined to ascertain condition, December 31, 1913

Report dated April 28, 1914.

Examiner: Charles H. Gardner.

Assets

Book value of bonds.....	\$1,933,546 71
Cash in bank.....	93,825 99
Premiums due — net balance of account.....	36,945 39
Total ledger assets.....	<u>\$2,064,318 09</u>

Non-Ledger Assets

Accrued interest on bonds.....	15,577 89
Gross assets	<u>\$2,079,895 98</u>

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$134,061 71
Admitted assets	<u>\$1,945,834 27</u>

Liabilities

Unpaid losses	\$186,983 81
Adjustment expenses	658 59
Unearned premiums on year risks.....	\$570,615 42
Unearned premiums on term risks.....	605,874 11
Total unearned premiums.....	<u>1,176,489 53</u>
Tax on premiums (estimated).....	34,745 32
Contingent commissions	17,258 72
Total amount of all liabilities.....	<u>\$1,416,135 97</u>
Deposit capital	\$200,000 00
Surplus	329,698 30
Surplus to policyholders.....	<u>529,698 30</u>
Total liabilities	<u><u>\$1,945,834 27</u></u>

Capital Statement

The financial condition of the United States branch of the company on a capital statement basis on December 31, 1913, as ascertained by this examination, was as follows:

Assets

Securities deposited in insurance departments:		
<i>State of New York</i>	<i>Par value</i>	<i>Market value</i>
City of New York, corp. stock, 4s, 1955	\$200,000 00	\$209,250 00
<i>State of Ohio</i>		
City of Cleveland, reg., 4s, 1920..	100,000 00	101,000 00
Total par and market value..	<u>\$300,000 00</u>	<u>\$310,250 00</u>
Securities held by the United States Trustee:		
Various municipal and R. R. bonds	\$1,573,500 00	\$1,489,235 00
Total par and market value..	<u>\$1,573,500 00</u>	<u>\$1,489,235 00</u>
Gross assets in the United States.....		<u><u>\$1,799,485 00</u></u>

Liabilities

Total unearned premiums.....	\$1,176,489 53
Unpaid losses	186,983 81
All other liabilities	52,662 63
Total liabilities in the United States.....	\$1,416,135 97
Capital under section 27 of the Insurance Law.....	383,349 03
Total (being the gross assets reported above).....	\$1,799,485 00

The asset and liability items entering into the financial statement as set forth above have been carefully examined. The financial condition of the company, as reported in its annual statement submitted to the Department for the year ending December 31, 1913, was found to be approximately correct. In the report of this examination, the company's surplus as reported to the Department December 31, 1913, was reduced in the sum of \$9,783.10. This reduction is partly accounted for by an increase in the company's outstanding loss account and the adjustment expenses in connection therewith, amounting to \$2,540.40. The balance of \$7,258.72 represents an additional amount due for contingent commission in excess of the sum charged by the company in its annual statement.

The securities owned by the company are set forth in a schedule attached hereto, showing the book, par and market value of the same.

NATIONALE FIRE INSURANCE COMPANY—U. S. BRANCH

PARIS, FRANCE

Examined to ascertain condition March 31, 1914.

Report dated June 19, 1914.

Examiner: Richard A. Elmer.

The Nationale Fire Insurance Company was founded and authorized by Royal ordinance February 11, 1820, under the title of the "Compagnie Royale d'Assurances contre l'incendie." On the 17th of May, 1849, the charter of the company was extended

and the company was authorized to assume the title of "La Nationale Compagnie d'Assurances a primes contre l'incendie." On the 19th of May, 1887, the company was converted into a joint stock company to conform with the Laws of 1867, under the title of "La Nationale Compagnie anonyme d'assurances contre l'incendie et les explosions." At the present time the company is operating in the following countries: France, Tunisia, Belgium, Switzerland, Holland, Italy, Spain, Egypt and the United States.

The company entered the United States in 1910 under the provisions of section 27 of the Insurance Law of the State of New York, making the statutory deposit with the Superintendent of Insurance of the said State and appointing the Bankers Trust Company of New York the United States trustee. The corporation of Starkweather & Shepley was appointed United States manager.

The United States manager conducts the affairs of the company in the United States in accordance with the instructions contained in a letter from the foreign manager, dated May 14, 1912.

The essential features of the said letter are as follows:

- (a) The manager is given full power to represent the company in the United States.
- (b) The underwriting territory is indicated, definite instructions given in regard to maximum lines and certain classes of risks prohibited.
- (c) The power to collect all premiums and a provision that the debit balances of the monthly accounts are to be deposited with the Industrial Trust Company of Providence, R. I., in the name of the company within three months.
- (d) That whenever the balance in the said trust company exceeds the sum of \$30,000, the excess is to be withdrawn and deposited with the Bankers Trust Company of New York.
- (e) That, according to an agreement existing between the Nationale Phenix and Abeille Fire Insurance Companies of Paris, France, the United States manager is directed to cede three-eighths of the business written in the United States by the Nationale to the Phenix and two-eighths to the Abeille, and to assume three-eighths of the business written by the Phenix.
- (f) Bordereaux of premiums written and cancelled, reinsurance ceded and cancelled and losses incurred and paid are to be forwarded to the home office weekly and a general account each month. Statistics are also required at the end of each year, showing the results of the operations in the United States.

- (g) The United States manager is to pay all expenses in connection with conducting the business, with the exception of loss adjustment expenses, state and city taxes, patrol and local board taxes and the fees of the trustees.
- (h) As a remuneration for the said services and disbursements, the United States manager is to receive a commission of 33%, based on the net premium income.
- (i) It is also provided that the Insurance Commissioner of the State of Rhode Island shall be requested to verify the accounts of the company and submit an official report on the said verifications.

CAPITAL STATEMENT

The financial condition of the company on March 31, 1914, under the capital statement requirements, as provided for in section 27 of the Insurance Law of the State of New York, was found to have been as follows:

<i>Assets</i>		
	<i>Par value</i>	<i>Market value</i>
Securities deposited with Insurance Departments or with chief financial officers in the various States of the United States.....	\$351,000	\$345,570
Securities vested and held in the United States by Trustees	220,000	193,600
Total gross assets in the United States deposited with Insurance Departments and Trustees.....		<u>\$539,170</u>
 <i>Liabilities</i>		
Unpaid losses		\$41,858 47
Unearned premium reserve		216,987 25
All other liabilities (excluding commissions and brokerage)...		2,500 00
Total Liabilities		<u>\$261,345 72</u>
Capital under § 27 of the Insurance Law.....		277,824 28
Total (being the aggregate assets).....		<u><u>\$539,170 00</u></u>

GENERAL STATEMENT

The financial condition on March 31, 1914, under the general form of statement was found to have been as follows:

Ledger Assets

Book value of bonds.....	\$534,610 00
Deposited with trust companies.....	97,606 29
Agents' balances, representing business written subsequent to January 1, 1914.....	\$112,351 14
Agents' balances, representing business written prior to January 1, 1914.....	6,882 15
Balances due from reinsuring companies.....	38,271 54
	\$157,504 83
Deduct balances due reinsuring companies.....	84,135 38
Net balances	73,369 45
Philadelphia Underwriters deposit	100 00
Total Ledger Assets	\$705,685 74

Non-Ledger Assets

Accrued interest	\$7,733 32
Undivided interest in cash held by the Phenix and due the Nationale	8,705 70
Market value of bonds over book value.....	4,560 00
	\$20,999 02
Gross Assets	
	\$726,684 76

Deduct Assets Not Admitted

Agents' balances, representing business written prior to Janu- ary 1, 1914	6,882 15
Total Admitted Assets	\$719,802 61

Liabilities

Gross amount of unpaid losses.....	\$106,154 95
Deduct admitted reinsurance.....	64,296 48
Net amount of unpaid losses.....	\$41,858 47
Unearned premium reserve	216,987 25
Due for commissions	14,935 55
Estimated amount accrued for taxes, expenses, etc.....	2,500 00
Undivided interest in cash held by the Nationale and due the Phenix and Abeille	4,340 13
Total.	\$280,621 40

Minimum Deposit Capital.....	\$200,000 00	
Surplus	239,181 21	
Surplus to policyholders.....		\$439,181 21
Total Liabilities.....		\$719,802 61

Securities Owned

The securities deposited with the various States were verified by means of certificates obtained from the proper State officials. It will be noted that the securities deposited with the States of New York and Ohio are held for the protection of all the policyholders of the company, and that the securities deposited with the States of Georgia and Virginia are special deposits and are not held for the protection of all the policyholders in the United States.

The securities vested and held by the United States trustee, the Bankers Trust Company of New York, were examined and verified at the office of the said trust company in the City of New York.

A schedule of all the securities owned, giving the book and par values and the market value as of March 31, 1914, is as follows:

Securities Deposited in Insurance Departments or with Chief Financial Officers in Various States of the United States:

	<i>Book value</i>	<i>Par value</i>	<i>Market value</i>
State of New York: City of N. Y.			
Corporate Stock, 4%, 1955.....	\$190,000	\$200,000	\$194,000
1956.....	15,200	16,000	15,520
State of Ohio: City of Cleveland Water Works, 4%, 1940.....	100,000	100,000	103,000
State of Georgia: City of Atlanta Redemption, 4%, 1920.....	9,730	10,000	9,800
State of Virginia: City of Richmond Public Imp., 4%, 1943.....	24,680	25,000	23,250

Securities Vested and Held in the United States by Trustees:

Bankers Trust Company of New York (Trustee) — N. Y. C. & H. R. R.			
Lake Shore Collateral, 3½%, 1998...	81,000	100,000	82,000
Southern Pac. R. R. 1st Refunding, 4%, 1955	114,000	120,000	111,600
	<u>\$534,610</u>	<u>\$571,000</u>	<u>\$539,170</u>

Cash Deposited in Trust Companies

The moneys deposited in trust companies consists of an active or drawing account with the Industrial Trust Company of Providence, R. I., and an account with the Bankers Trust Company of New York. The balances as of March 31, 1914, in the said trust companies were verified in the customary manner and reconciled with certificates from the banking institutions.

As previously noted in this report, the reinsuring arrangements provide that three-eighths of the business written be ceded to the Phenix and two-eighths to the Abeille, and in return the Nationale is to assume three-eighths of the business written by the Phenix. The remittances from the agents of the Nationale are deposited in the Industrial Trust Company to the credit of the Nationale, and are not distributed to the accounts of the various companies in accordance with each company's proportion of the business written. The letter of instruction, however, provides that whenever the balance in the Industrial Trust Company shall exceed the sum of \$30,000, the excess shall be deposited each month in the Bankers Trust Company of New York to the credit of each company in its proportionate part.

As a result of these arrangements, Phenix and Abeille have each a certain interest in the account of the Nationale in the Industrial Trust Company, and the Nationale, under the same condition of affairs, has an interest in the account of the Phenix.

In order to adjust these accounts in the foregoing financial statement, the total balance has been allowed as a ledger asset, there has been charged as a liability the interest in the account owned by the Phenix and Abeille, and there has been credited as a nonledger asset the interest owned by the Nationale in the account of the Phenix.

Balances Due Company

The ledger accounts of the company, in so far as the premiums written and cancelled and the reinsurance effected and cancelled are concerned, are on a written basis, while the losses, commissions and expense items are on a paid-for basis. The balances of these accounts, therefore, contain the premiums receivable from or payable to the agents and reinsuring companies on a

written basis, including the losses, commissions and expenses actually paid or received. The net balance due the Nationale on March 31, 1914, according to these accounts, amounted to the sum of \$73,369.45, and this amount has been reported in the foregoing financial statement as a ledger asset.

As this net balance contains no charge for commissions due, it was necessary, in order to ascertain the amount of this liability, to analyze the accounts with the agents and reinsuring companies. From these sources the amounts due to and by the company for premiums were ascertained, and as the commissions on both premiums assumed and ceded are at a fixed rate, a charge of 33 per cent. of the net premium balance has been reported as a liability on account of commissions due.

Balances Over Ninety Days Due

As previously noted in this report, an agreement exists between the company and the United States manager to the effect that all agency balances shall be paid within ninety days.

From an examination of the agency accounts, it was found that an amount equal to all the net balances due prior to January 1, 1914, had been paid to the company by March 31, 1914. However, an analysis of the balances due the company on March 31, 1914, amounting to the sum of \$119,233.29, showed that the said balances contained certain premiums on policies written prior to January 1, 1914, and consequently over ninety days due. As section 118 of the Insurance Law of the State of New York provides that on examination there shall be allowed as assets only "unpaid premiums on policies written within three months," the above-mentioned premiums over ninety days due, amounting to the sum of \$6,882.15, have been deducted as a not admitted asset.

Unearned Premium Reserve

The reserve records of the company are kept by yearly expirations, and it is only on December 31st of each year that the reserve can be definitely ascertained on a 50 per cent. basis from the said records.

In examining the reserve as of December 31, 1913, it was found, that certain clerical errors had been made and there had not been included the premiums written in advance (*i. e.*, premiums on policies dated in 1914), although the said premiums had been included in the agency balances. It was also found that through error the company had taken credit for reinsurance in certain companies not authorized to transact business in the State of New York. By adjusting these various discrepancies, the reserve as of December 31, 1913, was increased to the sum of \$203,362.00 and for the purpose of this examination an estimate based on the premiums written during the first three months of 1914 was used to obtain the reserve figure of \$216,987.25 reported in the foregoing financial statement.

Surplus to Policyholders

The surplus to policyholders reported by the company in its statement for the quarter ended March 31, 1914, amounted to the sum of \$441,924.67, while the surplus shown in the foregoing financial statement is \$439,181.21, a decrease of \$2,743.46. This difference is accounted for in the following items:

	<i>Gain in surplus</i>	<i>Loss in surplus</i>
Agents' balances over ninety days due.....		\$6,882 15
Undivided interest in cash held by the Phenix and due the Nationale.....	\$8,705 70	
Market value of bonds over book value.....	4,560 00	
Unpaid losses		2,377 85
Premium reserve		11,482 74
Undivided interest in cash held by Nationale and due Phenix and Abeille.....		4,340 13
Commissions and expenses due or accrued.....	9,073 71	
	\$22,339 41	\$25,082 87
Decrease in surplus.....	2,743 46	
	\$25,082 87	\$25,082 87

ANNUAL AND QUARTERLY STATEMENTS

The company maintains an accounting system that is adequate to its needs, and the books and records are well kept, but there appears to be some confusion in compiling the annual and quar-

terly statements submitted to this Department. Attention is called to the following items appearing in the annual statement for the year ended December 31, 1913:

On page 5, line 21, the following liability was reported:

" Reinsurance and return premiums due other companies.. \$65,659 86 "

This charge was in error, as under the company's method of accounting no such liability existed on the said date. In explanation of this item it appears that the balance due to the Phenix and Abeille, amounting to \$97,999.78, less the commission of 33 per cent., was the aforesaid \$65,659.86. This balance,* however, (the \$97,999.78) had been deducted from the balance due the Nationale, and the net amount only reported as a ledger asset.

The account was made up as follows:

Balances due from Starkweather & Shepley.....	\$118,848 70
Balances due from Phenix.....	38,331 85
	\$157,180 55
*Deduct balances due Phenix and Abeille.....	97,999 78
Net balance reported as ledger asset (page 4, line 8).....	<u>\$59,180 77</u>

It will be seen from the foregoing that the asset item of agents' balances had been decreased by the full amount of the balances due the reinsuring companies, and it was therefore incorrect to set up any further liability on such account.

On page 5, line 19, the following liability was reported:

" Contingent commissions due or accrued..... \$19,529 66 "

This item purports to be the liability due for commissions, and represents 33 per cent. of the net balance of \$59,180.77 reported on page 4, line 8. This method of treatment is incorrect, for the reason that the said balances, as previously explained, contain, in addition to premiums, losses and expense items.

On page 4, line 7, cash deposited with the Industrial Trust Company was reported in full as an asset, notwithstanding the fact, as previously explained in this report, that certain portions of such funds were the property of the Phenix and Abeille.

In connection with the foregoing, it is respectfully recommended that the company be advised, in making future reports to this Department, to

- (a) Report the actual cash owned.
- (b) Ascertain and deduct the agents' balances over ninety days due.
- (c) Correct the errors noted in this report on the compilation of the premium reserve.
- (d) Ascertain and report the correct liability due for commissions.

It would also appear advisable, in view of the close reinsuring arrangements among the Nationale, Phenix and Abeille, that the accounts be closed and a settlement be made between the various companies at least once a year.

NORD-DEUTSCHE INSURANCE COMPANY — UNITED STATES BRANCH

HAMBURG, GERMANY

Examined to ascertain condition March 31, 1913.

Report dated June 12, 1913.

Examiner: Charles H. Gardner.

<i>Assets</i>	
Book value of bonds.....	\$717,936 88
Cash in office.....	68 91
Cash in banks.....	70,798 03
Agents' balances within 90 days.....	120,614 06
Agents' balances over 90 days.....	14,647 82
Uncollected premiums	1,648 71
Total ledger assets.....	\$925,714 41
<i>Non-Ledger Assets</i>	
Interest accrued	\$9,343 69
Reinsurance due on losses paid.....	5,163 05
Total	14,506 74
Gross assets	\$940,221 15

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$21,036 88	
Agents' balances over 90 days.....	14,647 82	
Reinsurance due on loss paid unadmitted companies	594 01	
		<u>\$36,278 71</u>
Total admitted assets.....		<u><u>\$903,942 44</u></u>

Liabilities

Gross unpaid losses.....	\$58,381 92	
Less reinsurance	14,776 97	
		<u>43,504 95</u>
Net amount of unpaid losses.....		43,504 95
Unearned premiums — one year risks.....	\$215,793 10	
Unearned premiums — term risks.....	148,945 47	
Total unearned premiums.....		364,738 57
Salaries and expense bills.....		1,570 91
Tax on premiums (estimated).....		3,500 00
Commissions, brokerage, etc.....		250 00
Reinsurance premiums due.....		46,938 80
		<u>\$460,503 23</u>
Total amount of liability, except capital.....		\$460,503 23
Capital	\$200,000 00	
Surplus	243,439 21	
		<u>443,439 21</u>
Surplus to policyholders		443,439 21
Total liabilities		<u><u>\$903,942 44</u></u>

Capital Statement

The financial condition of the United States branch of the company on a capital statement basis on March 31, 1913, as ascertained by this examination was as follows:

Assets

Securities deposited in insurance departments or with chief financial officers in various States:

	<i>Par Value</i>	<i>Market value</i>
Bonds	\$303,000 00	\$298,700 00
		<u>\$298,700 00</u>

All other assets vested and held in the United States by trustees:

	<i>Par Value</i>	<i>Market value</i>
Bonds	\$425,000 00	\$398,200 00
		<u>398,200 00</u>

Total gross assets in the United States deposited with insurance departments and trustees.....	<u><u>\$696,900 00</u></u>
--	----------------------------

Liabilities

Unearned premiums	\$364,738 57
Unpaid losses	43,504 95
All other liabilities.....	52,259 71
Total liabilities in the United States.....	\$460,503 23
Capital under section 27 of the Insurance Law.....	236,396 77
Total (being gross assets reported above).....	\$696,900 00

The Nord-Deutsche Insurance Company, of Hamburg, Germany, was admitted to transact business in the state of New York through its United States branch in July, 1911. Mr. Joseph H. Lenehan was appointed United States manager of the company at such time, and the Farmers Loan & Trust Company, of New York, also qualified as its United States trustee, in accordance with the provisions of section 27 of the Insurance Law.

Prior to January 1, 1913, Mr. J. H. Lenehan, United States manager, had the affairs of the company transacted by the office and field force of Fred S. James & Co., New York, at 123 William street, in accordance with a contract between that firm and the head office of the company in Hamburg, Germany. After said date, however, this contract was discontinued by mutual consent and Mr. J. H. Lenehan established a separate office and field force for the company and moved the United States branch to the sixth floor of 123 William street, New York city.

NORTH RIVER INSURANCE COMPANY

NEW YORK, N. Y.

Examined on increase of capital.

Report dated October 23, 1913.

Examiner: Charles H. Gardner.

Pursuant to a resolution of the board of directors of the North River Insurance Company, of New York, a special meeting of the stockholders of said company was held at the offices of the company, No. 95 William street, New York, on the 7th day of August, 1913. At such meeting a resolution was passed to in-

crease the capital stock from the present amount thereof, namely, three hundred and fifty thousand dollars (\$350,000), consisting of fourteen thousand (14,000) shares of the par value of twenty-five dollars (\$25) each, to five hundred thousand dollars (\$500,000), to consist of twenty thousand (20,000) shares of the par value of twenty-five dollars (\$25) each.

Resolutions were also passed authorizing the officers of the company to offer to the stockholders of record on date of August 14, 1913, the right to subscribe to the new issue at the rate of 150 per cent. of the par value of each share.

It is indicated from the following list of documents, certified copies of the originals being annexed to this report, that the proceeding taken by the company to increase its capital stock were in manner and form as by law provided, viz.:

Transcript of the minutes of the meeting of the board of directors.

Transcript of the minutes of the meeting of the stockholders.

Notice of newspaper publication.

Superintendent of Insurance, State of New York, approval in accordance with the provisions of section 64 of the Stock Corporations Law.

Certificate of increase of capital certified by county clerk.

Certificate of increase of capital certified by Secretary of State.

Now, therefore, I do hereby certify and report, under oath, as result of said examination, that the sum of two hundred and twenty-five thousand dollars (\$225,000), the increased capital and surplus of this company, representing six thousand (6,000) shares at thirty-seven and 50/100 (\$37.50) per share, was on October 11, 1913, on deposit in bank to the credit of the company. Annexed to this report is a bank certificate received from the People's National Bank of Hackensack, New Jersey, evidencing such deposit.

Annexed to this report is a schedule setting forth the names of the new subscribers, also the number of shares subscribed and paid for in cash, with the various dates of such payments.

Also attached hereto is an affidavit of the president and secretary of the company, to the effect that the sum of two hundred

and twenty-five thousand dollars (\$225,000), representing the increased capital and surplus, has been paid in in cash, and that the proceedings taken conformed in all respects with the requirements of the statute.

PACIFIC FIRE INSURANCE COMPANY AND THE
GREENWICH INSURANCE COMPANY

NEW YORK, N. Y.

Examined on merger.

Report dated December 24, 1913.

Examiner: Charles E. Woodman.

Whereas, The undersigned, Charles E. Woodman, a disinterested person specially appointed for the purpose by the Superintendent of Insurance, having made an examination of the Pacific Fire Insurance Company, of New York, and The Greenwich Insurance Company, of New York, as of the close of business on date of September 30, 1913, as appears in a report on examination of both corporations annexed hereto; and

Whereas, The said corporations, being domestic fire insurance companies, having taken proceedings to merge into one corporation under the name of the Pacific Fire Insurance Company of New York, and to become vested by such merger with all the assets and assume all the liabilities of the above named merging corporations;

Now, Therefore, I do hereby certify and report under oath that the said examinations show said corporations at the close of business on date of September 30, 1913, to have been in possession of total admitted assets in the sum of one million two hundred and sixty-two thousand two hundred and fifty-one dollars and twenty-one cents (\$1,262,251.21), and to have liabilities except capital amounting to six hundred and eighteen thousand seven hundred and seven dollars and ninety-seven cents (\$618,707.97), as particularly set forth in a combined financial statement, and as further shown in separate financial statements of both corporations hereto annexed.

I hereby further certify that the stockholders of both companies at meetings duly called for such purpose, in accordance with the provisions of statute, ratified by the required vote the terms of the merger agreement; as evidenced by the attached document, being a copy of agreement containing copy of charter, signed by the president and secretary of each corporation and affidavits of the secretary of each corporation that the annexed agreement of merger or consolidation was assented to by vote of the board of directors, and has been approved by the votes of stockholders owning at least two-thirds of the stock of each corporation. Such agreement in so far as affected the transfer of stock being as follows, viz.:

Each share of the stock of the Pacific Fire Insurance Company on surrender thereof shall be entitled to 142.20 per centum shares of stock of new corporation.

Each share of the stock of The Greenwich Insurance Company on surrender thereof shall be entitled to 57.80 per centum share of stock of new corporation.

I hereby further certify that the above basis of stock interchange is upon a trade basis, and that on the basis of statutory assets and liabilities (assuming the same equity of 30 per cent. in the reserve for unearned premiums), each share of Pacific Fire Insurance Company stock would be entitled to 142.0738 per centum, and each share of The Greenwich Insurance Company stock to 57.9262 per centum shares of stock in the new corporation.

Combined Financial Statement

<i>Assets</i>	
Book value of bonds.....	\$580,471 32
Book value of stocks.....	569,689 59
	\$1,150,160 91
Cash in company's office.....	5,387 92
Deposits in trust companies and banks.....	17,303 44
Agents' balances within 90 days.....	114,288 15
Agents' balances over 90 days.....	7,183 94
Balance due from Stuyvesant Insurance Com- pany within 90 days.....	9,914 09
Balance due from Stuyvesant Insurance Com- pany over 90 days.....	2,285 64

Balance due from Pacific Underwriters within 90 days	\$15,113 70
Balance due from Pacific Underwriters over 90 days	517 38

Total ledger assets..... \$1,322,155 26

Non-Ledger Assets

Interest accrued on bonds.....	\$8,937 75
Interest accrued on bank balance.....	83 93
Reinsurance on paid losses.....	4,429 41
Salvage received on paid losses.....	506 73

13,957 82

Gross assets \$1,336,113 08

Deduct Assets Not Admitted

Book value of bonds and stocks over market value	\$63,874 91
Agents' balances over 90 days.....	7,183 94
Balance due from Stuyvesant Insurance Company over 90 days.....	2,285 64
Balance due from Pacific Underwriters over 90 days	517 38

73,861 87

Total admitted assets \$1,262,251 21

Liabilities

Gross amount of unpaid losses.....	\$165,493 82
Less reinsurance	16,570 64

Net amount of unpaid losses.....	\$148,923 18
Gross premiums less reinsurance on unexpired one year risks, \$640,722.91; pro rata rate unearned	\$337,821 54
Gross premiums less reinsurance on unexpired term risks, \$208,433.67; unearned.....	107,433 80

Total unearned premiums.....	445,255 34
Adjustment expenses	2,114 27
Accrued taxes	6,750 00
Bills payable	15,000 00
Interest on same.....	513 33
Old stockholders' account.....	151 85
Capital stock	\$400,000 00
Surplus over all liabilities.....	243,543 24

Surplus as regards policyholders..... 643,543 24

\$1,262,251 21

*Pacific Fire Insurance Company**Assets*

Book value of bonds.....	\$372,926 20	
Book value of stocks.....	462,015 21	
		\$834,941 41
Cash in company's office.....	328 86	
Deposits in trust companies and banks.....	4,029 92	
Agents' balances within 90 days.....	75,479 06	
Agents' balances over 90 days.....	7,183 94	
Balances due from Stuyvesant Insurance Co. within 90 days.....	9,914 09	
Balances due from Stuyvesant Insurance Co. over 90 days.....	2,285 64	
Balances due from Pacific Underwriters within 90 days	7,556 90	
Balances due from Pacific Underwriters over 90 days	258 69	
Total ledger assets		\$941,978 51

Non-Ledger Assets

Interest accrued on bonds.....	\$5,877 25	
Reinsurance on paid losses.....	3,152 62	
Salvage received on paid losses.....	506 73	
		9,536 60
Gross assets		\$951,515 11

Deduct Assets Not Admitted

Book value of bonds and stocks over market value	\$53,881 41	
Agents' balances over 90 days.....	7,183 94	
Balances due from Stuyvesant Insurance Co. over 90 days	2,285 64	
Balances due from Pacific Underwriters.....	258 69	
		63,609 68
Total admitted assets		\$887,905 43

Liabilities

Gross amount of unpaid losses.....	\$110,536 80	
Less reinsurance	14,960 75	
Net amount of unpaid losses.....		\$95,576 05
Gross premiums, less reinsurance on unexpired one year risks \$443,517.64 pro rata unearned	\$231,784 55	
Gross premiums less reinsurance on unex- pired term risks \$167,956.90 unearned.....	79,628 34	
Total unearned premiums.....		311,412 89

Adjustment expenses	\$1,534 99
Accrued taxes	5,250 00
Bills payable	15,000 00
Interest on loan	513 33
Capital stock	\$200,000 00
Surplus over all liabilities.....	258,618 17
Surplus as regards policyholders.....	458,618 17
	<u>\$887,905 43</u>

On April 24, 1912, the Pacific Fire Insurance Company entered into an agreement with The Greenwich Insurance Company to issue jointly a policy under the name of Pacific Underwriters, half of the liability thereunder being assumed by each company. The assets and liabilities arising through the issuing of these policies have been embodied in the foregoing financial statement in proportion to the terms of the agreement.

The statement submitted to the department by the company on September 30, 1913, reported a surplus of \$291,978.02, while this examination shows a surplus of \$258,618.17. The reduction in surplus amounting to \$33,359.85 is accounted for by the following changes:

Changes in Company's Surplus

	<i>Increase</i>	<i>Decrease</i>
Market value of bonds.....	\$1,482 80	
Reduction in balance due from Stuyvesant Ins. Co.		\$3,705 29
Error in balance of Pacific Underwriters.....		03
Agents' balance over 90 days.....		7,183 94
Balance of Stuyvesant Ins. Co. over 90 days...		2,285 64
Balance of Pacific Underwriters over 90 days..		258 69
Accrued interest on bonds.....	300 00	
Reinsurance on paid losses.....	17 76	
Salvage received on paid losses.....	506 73	
Increase in unpaid losses.....		5,822 51
Increase in unearned premiums.....		9,112 72
Adjustment expenses		1,534 99
Accrued taxes		5,250 00
Interest on loan		513 33
	<u>\$2,307 29</u>	<u>\$35,667 14</u>
		2,307 29
Net decrease in surplus.....		<u>\$33,359 85</u>

The securities representing a par value of \$757,200 were examined and counted and the market value on September 30, 1913, obtained from quotations supplied by the audit bureau of this Department. This resulted in a market value of \$781,060, or an increase over the company's valuations of \$1,482.80. A schedule of securities owned setting forth the book, par and market values is attached hereto.

Cash in office and deposits in banks and trust companies were verified and \$37.20 which the company had reported in office transferred to a deposit in bank.

The amount reported as agents' balance was analyzed and divided into amounts due from agents, and balances due from the Pacific Underwriters and Stuyvesant Insurance Company. This analysis developed that the balance due from the Stuyvesant Insurance Company was subject to a commission charge of \$3,705.29, and that the balance of the Pacific Underwriters was in error to the extent of 3 cents. It was also found that some of the balances due from agents and companies were over ninety days due but had not been so reported by the company. Such balances amounted to \$9,728.27 and have been deducted under assets not admitted.

The accrued interest on bonds has been increased by \$300, due to the fact that the coupons for the semi-annual interest due August 1, 1913, on \$10,000 American Smelters Security Company bonds had not been detached and presented for payment.

The credit for reinsurance on paid losses has been increased \$17.76 and salvage of \$506.73 received since September 30, 1913, on a loss paid prior have been included in nonledger assets.

An examination of the loss records developed that the company had not provided in the unpaid loss liability for losses occurring on or before September 30, 1913, of which notice had not been received on such date. These amounted to a net liability of \$7,213.25, but savings on adjustments of losses which were carried on estimated figures amount to \$1,390.74. This results in an increase in the liability for unpaid losses of \$5,822.51.

The records of the company do not permit of a listing of the premiums in force and thus compiling the liability for unexpired premiums as to expirations for two months, developed many errors,

but as these were small in amounts and due to inaccuracy it is believed that the premiums in force as shown by the books of the company are approximately correct. The unearned premium liability on one-year risks was computed on a monthly basis, and the term on the yearly basis, and was found to be \$311,412.89, or an increase of \$9,112.72 over the amount charged by the company, which was computed on the yearly basis.

Unpaid adjustment expenses on losses incurred on or before September 30, 1913, were found to amount to \$1,534.99 and an estimated liability for accrued taxes of \$5,250.

The company carried a liability of \$15,000 for a loan secured by a deposit of bonds, but no provision was made for accrued interest thereon of \$513.33 and this has been charged.

The stock ledger and stock certificate book were examined and 8,000 shares having a face value of \$25 per share found to be outstanding. Four stock certificates representing 345 shares have not been returned for cancellation although others were issued in lieu thereof. These are claimed to have been lost and were missing on date of last examination of this company in April, 1911, and dividends thereon are not being claimed. Three of these certificates were issued in 1851, and the other in 1887. The original stock ledger having been destroyed, it was impossible to trace the transfer of the three missing certificates issued in 1851.

As the company operates under a general agency contract which provides for the payment of expenses by the general agent, there is believed to be no other accrued liabilities.

Greenwich Insurance Company

Assets

Book value of bonds.....	\$207,545 12	
Book value of stocks.....	107, 674 38	
		\$315,219 50
Cash in company's office.....		5,059 06
Deposits in trust companies and banks.....		13,273 52
Agents' balances within 90 days.....		38,809 09
Balance due from Pacific Underwriters within 90 days		7,556 89
Balance due from Pacific Underwriters over 90 days		258 69
Total ledger assets		\$380,176 75

Non-Ledger Assets

Interest accrued on bonds.....	\$3,060 50	
Interest accrued on bank balances.....	83 93	
Reinsurance on paid losses.....	1,276 79	
		\$4,421 22
Gross assets		\$384,597 97

Deduct Assets Not Admitted

Book value of bonds and stocks over market value	\$9,993 50	
Balance due from Pacific Underwriters over 90 days	258 69	
		10,252 19
Total admitted assets.....		\$374,345 78

Liabilities

Gross amount of unpaid losses.....	\$54,957 02	
Less reinsurance	1,609 89	
Net amount of unpaid losses.....		\$53,347 13
Gross premiums, less reinsurance on unexpired one year risks, \$206,205.27; pro rata unearned	\$106,036 99	
Gross premiums, less reinsurance on unexpired term risks, \$40,476.97 unearned.....	27,805 46	
Total unearned premiums as computed above.....		133,842 45
Adjustment expenses		579 28
Accrued taxes		1,500 00
Old stockholders' account.....		151 85
Capital stock	\$200,000 00	
Impairment of capital.....	15,074 93	
Surplus as regards policyholders.....		184,925 07
		\$374,345 78

On April 24, 1912, The Greenwich Insurance Company and the Pacific Fire Insurance Company entered into an agreement to issue jointly a Pacific Underwriters policy, half of the liabilities thereunder being assumed by each company. The assets and liabilities arising through the issuance of these policies have been embodied in the foregoing financial statement in proportion to the terms of this agreement.

The statement submitted to the Department by the company on September 30, 1913, reported an impairment of the capital amounting to \$2,220.63, while the foregoing financial statement shows an impairment of \$15,074.93. The increase, amounting to \$12,854.30, is accounted for as follows:

Changes in Impairment

	<i>Increase</i>	<i>Decrease</i>
Market value of bonds.....		\$888 00
Error in bank balance.....	\$ 10	
Error in balance due from Pacific Underwriters	08	
Pacific underwriters' balance over 90 days due.	258 69	
Accrued interest on bonds.....	10 41	
Accrued interest on balance in trust company		83 93
Reinsurance on paid losses.....		1,276 79
Unpaid loss liability.....	10,819 13	
Unearned premium reserve.....	1,935 33	
Adjustment expenses	579 28	
Accrued taxes	1,500 00	
	\$15,103 02	\$2,248 72
Less decrease	2,248 72	
	\$12,854 30	

The securities, representing a book value of \$315,219.50, were examined and counted and the market value on September 30, 1913, ascertained from quotations furnished by the audit bureau of this Department. This resulted in a market value of \$305,226, or an increase over the company's figures of \$888.00. A schedule of securities owned, setting forth the book, par and market values, is attached hereto.

Cash in office and deposits in trust companies and banks were verified, and an error of 10 cents discovered in the balance with one trust company. The agents' balance was divided into amounts due from agents and unsettled balances due from the Pacific Underwriters. This analysis showed that the company had made an error of 8 cents in the amount due from the Pacific Underwriters, and had omitted to deduct a balance of \$258.69, which was over ninety days due.

The credit for accrued interest on bonds was found to be overstated by \$10.41, and an accrual of interest amounting to \$83.93, on a trust company balance which had been overlooked by the company, allowed. The company also neglected to take credit for reinsurance due on paid losses amounting to \$1,276.79.

An examination of the loss records developed that the company carried no liability for losses occurring on or before September 30th, of which notice had not been received on such date. These amounted to \$6,973.11, and increases in the adjustment figures over estimates carried further increase the loss liability to \$53,347.13, or \$10,819.13 greater than the amount reported by the company.

The unearned liability has been compiled from a listing of the writings, cancellations and reinsurance, and the unearned on yearly risks computed on a monthly basis, and on term risks running for over one year, on the yearly basis. This has resulted in an unearned liability of \$133,842.45, or an increase of \$1,935.33 over the company's figures, computed on a yearly basis.

The company neglected to provide for an accrued liabilities, and an examination of the loss book developed unpaid adjustment expenses of \$579.28, and accrued taxes have been charged as \$1,500, such sum being based on a percentage derived from previous years. As the company operates under a general agency contract, which provides for the payment of expenses by the general agent, there is believed to be no other accrued liabilities.

The stock ledger showed that there are outstanding 8,000 shares of stock of a par value of \$25.00 each. The company was impaired in 1904, and discontinued operations until 1910, when, in order to resume the transaction of business, an assessment of .6867 per cent. on the face value of outstanding stock was made. Owners of 522 shares of stock declined to pay the assessment thereon, and have not returned their certificates for cancellation. These stockholders were credited with their proportion of the new stock, amounting to 158 shares and the value of fractional shares amounting to \$151.85, carried to their credit in the ledger.

PATERNELLE FIRE INSURANCE COMPANY LTD.,
UNITED STATES BRANCH

PARIS, FRANCE

Verification of capital statement on admission.

Report dated November 14, 1913.

Examiner: Richard A. Elmer.

The said capital statement duly executed by the United States Managers and the United States Trustees, is forwarded with this report and shows the condition of the Company under the capital statement requirements on November 14, 1913, to have been as follows:

<i>Assets</i>		
	<i>Par value</i>	<i>Market value</i>
Securities deposited with the Insurance Department of the State of New York.....	\$200,000 00	\$208,000 00
Securities vested and held by the United States trustee	312,038 00	294,331 89
Total gross assets in the United States deposited with Insurance Department and trustee.....		\$502,331 89
<i>Liabilities</i>		
Total liabilities in the United States.....		.....
Capital under section 27 of the Insurance Law.....		\$502,331 89
Total (being aggregate assets).....		\$502,331 89

Attached to this report is a schedule marked "Exhibit A" showing the securities deposited with the Insurance Department of the State of New York. These securities were verified from the records of this Department.

Attached to this report is a schedule marked "Exhibit B" showing the securities vested and held by the United States Trustee. These securities were examined and counted on November 14, 1913, and were found to be as set forth in Exhibit B.

The Farmers Loan & Trust Company of New York is the United States Trustee of the Company and the securities held by the said Trust Company under the deed of trust are for the protection of all the policyholders in the United States.

*Exhibit "A"**Securities Deposited With Insurance Departments*

	<i>Par Value</i>	<i>Market Value</i>
City of New York, 4½, due 1963.....	\$200,000 00	\$208,000 00

*Exhibit B.**Securities Vested and Held in the United States by Trustees*

	<i>Par Value</i>	<i>Market Value</i>
Atchison, Topeka & Santa Fe, general mtg., 4%, due 1995.....	\$60,000 00	\$55,800 00
Pennsylvania Company, French Franc loan, 3¾%, due 1921.....	75,300 00	68,673 38
City of Cincinnati, 4½%, due 1953.....	50,000 00	51,500 00
City of Cleveland, 4¼%, due 1942.....	50,000 00	51,500 00
Republic Francaise, public debt rentes, 3%.....	76,738 00	66,858 51
Total	\$312,038 00	\$294,331 89

PHENIX FIRE INSURANCE COMPANY — U. S.

BRANCH

PARIS, FRANCE

Examined to ascertain condition March 31, 1914.

Report dated June 16, 1914.

Examiner: Richard A. Elmer.

The Phenix Fire Insurance Company was founded and authorized by an ordinance of September 1, 1819, under the title of the "Compagnie Francaise du Phenix Assurance contre L'Incendie," and was converted into a joint stock company under the provisions of the Laws of July 24, 1867. In February, 1911, the company entered the United States under the provisions of section 27 of the Insurance Law of the State of New York, making the statutory deposit with the Superintendent of Insurance of the said State and appointing the Bankers' Trust Company of New York the United States trustee. The corporation of Starkweather & Shepley was appointed United States manager.

The United States manager conducts the affairs of the company in the United States in accordance with the instructions contained in a letter from the foreign manager, dated March 22, 1912. The essential features of the said letter are as follows:

- (a) The manager is given full power to represent the company in the United States.
- (b) The underwriting territory is indicated, definite instructions given in regard to maximum lines, and certain classes of risks prohibited.
- (c) The power to collect all premiums and a provision that the debit balances of the monthly accounts are to be deposited with the Industrial Trust Company of Providence, R. I., in the name of the company, within three months.
- (d) That, whenever the balance in the said Trust Company exceeds the sum of \$30,000, the excess is to be withdrawn and deposited with the Bankers' Trust Company of New York.
- (e) That, according to an agreement existing between the Phenix, Nationale and Abeille Fire Insurance Companies of Paris, France, the United States manager is directed to cede three-eighths of the business written in the United States by the Phenix to the Nationale and two-eighths to the Abeille, and to assume three-eighths of the business written by the Nationale.
- (f) Bordereaux of premiums written and cancelled, reinsurance ceded and cancelled, and losses incurred and paid, are to be forwarded to the home office weekly and a general account each month. Statistics are also required at the end of each year showing the results of the operations in the United States.
- (g) The United States manager is to pay all expenses in connection with conducting the business, with the exception of loss adjustment expenses, State and city taxes, patrol and local board taxes, and the fees of the trustees.
- (h) As a remuneration for the said services and disbursements, the United States manager is to receive a commission of 33%, based on the net premium income.
- (i) It is also provided that the Insurance Commissioner of the State of Rhode Island shall be requested to verify the accounts of the company and submit an official report on the said verifications.

CAPITAL STATEMENT

The financial condition of the company on March 31, 1914, under the capital statement requirements, as provided for in section 27 of the Insurance Law of the State of New York, was found to have been as follows:

<i>Assets</i>	<i>Par value</i>	<i>Market value</i>
Securities deposited with Insurance Departments or with chief financial officers in the various States of the United States.....	\$310,000 00	\$318,100 00
Securities vested and held in the United States by Trustees	200,000 00	193,500 00
Total gross assets in the United States deposited with Insurance Departments and Trustees.....		<u>\$511,600 00</u>
<i>Liabilities</i>		
Unpaid losses		\$38,134 67
Unearned premium reserve.....		212,945 16
All other liabilities (excluding commissions and brokerage) ..		2,500 00
Total Liabilities		<u>\$253,579 83</u>
Capital under section 27 of the Insurance Law.....		258,020 17
Total (being the aggregate assets).....		<u><u>\$511,600 00</u></u>

INCOME AND DISBURSEMENTS

A condensed schedule of the income and disbursements from January 1, 1914, to March 31, 1914, is as follows:

Balance December 31, 1913..... \$629,743 30

<i>Income</i>		
Net premiums written.....	\$75,740 80	
Interest on investments	6,975 00	
Interest on bank deposits.....	294 54	
Total Income		<u>83,010 34</u>
		\$712,753 64

<i>Disbursements</i>		
Losses paid, less reinsurance.....	\$53,036 72	
Expenses and taxes.....	31,224 97	
Total Disbursements		<u>84,261 69</u>
Balance (ledger assets March 31, 1914).....		<u><u>\$628,491 95</u></u>

GENERAL STATEMENT

The financial condition of the company under the general form of statement on March 31, 1914, was found to have been as follows:

Ledger Assets

Book value of bonds.....	\$511,050 00
Deposited with trust companies.....	51,803 43
Agents' balances, representing business written subsequent to January 1, 1914.....	\$78,159 07
Agents' balances, representing business written prior to January 1, 1914.....	4,583 12
Balances due from reinsuring companies.....	50,907 16
	\$133,649 35
Deduct balances due reinsuring companies.....	68,110 83
Net balance	65,538 52
Philadelphia Underwriters deposit.....	100 00
Total Ledger Assets.....	\$628,491 95

Non-Ledger Assets

Accrued interest	\$4,704 16
Undivided interest in cash held by the Nationale and due the Phenix.....	2,604 07
Market value of bonds over book value.....	550 00
	7,858 23
Gross Assets	\$636,350 18

Deduct Assets Not Admitted

Agents' balances, representing business written prior to Janu- ary 1, 1914.....	4,583 12
Total Admitted Assets.....	\$631,767 06

Liabilities

Gross amount of unpaid losses.....	\$57,746 11
Deduct admitted reinsurance.....	19,611 44
Net amount of unpaid losses.....	\$38,134 67
Unearned premium reserve.....	212,945 16
Due for commissions.....	32,000 39
Estimated amount accrued for taxes, expenses, etc.....	2,500 00
Undivided interest in cash held by the Phenix and due the Nationale and Abeille.....	14,509 49
Total	\$300,089 71

Minimum deposit capital.....	\$200,000 00
Surplus	131,677 35

Surplus to policyholders.....	\$331,677 35
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Total Liabilities	<u>\$631,767 06</u>
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Securities Owned

The securities deposited with the various States were verified by means of certificates obtained from the proper State officials. It will be noted that the securities deposited with the States of New York and Ohio are held for the protection of all the policyholders of the company in the United States, and that the securities deposited with the State of Georgia is a special deposit and is not held for the protection of all the policyholders in the United States.

The securities vested in and held by the United States trustee, the Bankers' Trust Company of New York, were examined and verified at the office of the said trust company in the City of New York.

A schedule of all the securities owned, giving the book and par values and the market value as of March 31, 1914, is as follows:

Securities Deposited in Insurance Departments or with Chief Financial Officers in Various States of the United States:

	<i>Book value</i>	<i>Par value</i>	<i>Market value</i>
State of New York: City of New York Corporate Stock, 4¼%, 1960..	\$202,000	\$200,000	\$204,000
State of Ohio: City of Cleveland, City Hall, 4.10%, 1940.....	101,750	100,000	104,000
State of Georgia: City of Atlanta, School Bonds, 4½%, 1927.....	10,050	10,000	10,100
<i>Securities Vested and Held in the United States by Trustees:</i>			
Bankers' Trust Company of New York (Trustee)—Baltimore & Ohio, 1st Mtg. 4%, 1948	49,500	50,000	47,500
Chicago Northwestern General Mtg., 4%, 1987	49,375	50,000	49,000
Northern Pacific and Great Northern Joint C. B. & Q., 4%, 1921.....	47,875	50,000	48,500
Union Pacific R. R. 1st Mtg., 4%, 1947, R. R. and Land Grant.....	50,500	50,000	48,500
	<u>\$511,050</u>	<u>\$510,000</u>	<u>\$511,600</u>

Cash Deposited in Trust Companies

The moneys deposited in trust companies consist of an active or drawing account with the Industrial Trust Company of Providence, R. I., and an account with the Bankers' Trust Company of New York. The balances as of March 31, 1914, in the said trust companies were verified in the customary manner and reconciled with certificates from the banking institutions.

As previously noted in this report, the reinsuring arrangements provide that three-eighths of the business written be ceded to the Nationale and two-eighths to the Abeille, and in return the Phenix is to assume three-eighths of the business written by the Nationale. The remittances from the agents of the Phenix are deposited in the Industrial Trust Company to the credit of the Phenix and are not distributed to the accounts of the various companies in accordance with each company's proportion of the business written. The letter of instruction, however, provides that whenever the balance in the Industrial Trust Company shall exceed the sum of \$30,000 the excess shall be paid each month to the Bankers' Trust Company of New York, to the credit of each company in its proportionate part.

As a result of these arrangements the Nationale and Abeille have each a certain interest in the account of the Phenix in the Industrial Trust Company, and the Phenix under the same condition of affairs has an interest in the account of the Nationale.

In order to adjust these accounts in the foregoing financial statement, the total balance has been allowed as a ledger asset, there has been charged as a liability the interest in the account owned by the Nationale and Abeille, and there has been credited as a non-ledger asset the interest owned by the Phenix in the account of the Nationale.

Balances Due Company

The ledger accounts of the company, in so far as the premiums written and cancelled and the reinsurance effected and cancelled are concerned, are on a written basis, while the losses, commissions and expense items are on a paid-for basis. The balances of these accounts, therefore, contain the premiums receivable from or payable to the agents and reinsuring companies on a written basis, including the losses, commissions and expenses actually paid or

received. The net balance due the Phenix on March 31, 1914, according to these accounts, amounted to the sum of \$65,538.52, and this amount has been reported in the foregoing financial statement as a ledger asset.

As this net balance contains no charge for commissions due, it was necessary, in order to ascertain the amount of this liability, to analyze the accounts with the agents and reinsuring companies. From these sources the amounts due to and by the company for premiums were ascertained, and as the commission on both premiums assumed and ceded is at a fixed rate a charge of 33 per cent. of the net premium balance has been reported as a liability on account of commissions due.

Balances Over Ninety Days Due

As previously noted in this report, an agreement exists between the company and the United States manager to the effect that all the agency balances shall be paid within ninety days.

From an examination of the agency accounts it was found that an amount equal to all the net balances due prior to January 1, 1914, had been paid to the company by March 31, 1914. However, an analysis of the balances due the company on March 31, 1914, amounting to the sum of \$82,742.19, showed that the said balances contained certain premiums on policies written prior to January 1, 1914, and consequently over ninety days due. As section 118 of the Insurance Law of the State of New York provides that on examination there shall be allowed as assets only "unpaid premiums on policies written within three months," the above-mentioned premiums over ninety days due, amounting to the sum of \$4,583.12, have been deducted as a not admitted asset.

Unearned Premium Reserve

The reserve records of the company are kept by yearly expirations and it is only on December 31st of each year that the reserve can be definitely ascertained on a 50 per cent. basis.

In examining the reserve as of December 31, 1913, it was found that certain clerical errors had been made and there had not been included the premiums written in advance (i. e., premiums on policies dated in 1914), although the said premiums had been included in the agency balances. It was also found that through

error the company had taken credit for reinsurance in certain companies not authorized to transact business in the State of New York. By adjusting these various discrepancies the reserve as of December 31, 1913, was increased to the sum of \$199,573.73, and for the purpose of this examination an estimate based on the premiums written during the first three months of 1914 was used to obtain the reserve figure of \$212,945.16 reported in the foregoing financial statement.

Surplus to Policyholders

The company in its statement for the quarter ended March 31, 1914, reported a surplus to policyholders of \$361,701.72, while the surplus shown in this report amounts to the sum of \$331,677.35, a decrease of \$30,024.37. This difference is accounted for in the following items:

	<i>Gains in surplus</i>	<i>Loss in surplus</i>
Undivided interest in cash held by Nationale and due Phenix	\$2,604 07	.....
Market value of bonds over book value.....	550 00	.....
Agents' balances, over ninety days due.....	.....	\$4,583 12
Unpaid losses	1,345 94	.....
Premium reserve .....	.....	7,440 65
Undivided interest in cash held by Phenix and due Nationale and Abeille.....	.....	14,509 49
Estimated amount of taxes, etc.....	.....	2,500 00
Due for commissions.....	.....	5,491 12
	\$4,500 01	\$34,524 38
Decrease in surplus.....	30,024 37	.....
	\$34,524 38	\$34,524 38

ANNUAL AND QUARTERLY STATEMENTS

The company maintains an accounting system that is adequate to its needs, and the books and records are well kept, but there appears to be some confusion in compiling the annual and quarterly statements submitted to this Department. Attention is called to the following items appearing in the annual statement for the year ended December 31, 1913:

On page 5, line 21, the following liability was reported:

"Reinsurance and return premiums due other companies.... \$45,701 64"

This charge was in error, as under the company's method of accounting no such liability existed on the said date. In explanation of this liability item it appears that the balances due the Nationale and Abeille, amounting to \$68,211.40, less the commission of 33 per cent., was the aforesaid \$45,701.64. This balance,* however, (the \$68,211.40) had been deducted from the balances due the Phenix, and the net amount only reported as a ledger asset.

The account was made up as follows:

Balances due from Starkweather & Shepley.....	\$72,138 35
Balances due from Nationale.....	59,225 78
	\$131,364 13
*Deduct balance due Nationale and Abeille.....	68,211 40
Net balance reported as Ledger Asset (page 4, line 8)....	<u>\$63,152 73</u>

It will be seen from the foregoing that the asset item of agents' balances had been decreased by the full amount of the balances due the reinsuring companies, and it was therefore incorrect to set up any further liability on such account.

On page 5, line 19, the following liability was reported:

"Contingent commissions due or accrued..... \$20,840 40"

This item purports to be the liability due for commissions and represents 33 per cent. of the net balance of \$63,152.73, reported on page 4, line 8. This method of treatment is incorrect for the reason that the said balances as previously explained contain, in addition to premiums, losses and expense items.

On page 4, line 7, the cash deposited with the Industrial Trust Company was reported in full as an asset, notwithstanding the fact, as previously explained in this report, certain portions of such funds were the property of the Nationale and Abeille.

In connection with the foregoing it is respectfully recommended that the company be advised in making future reports to this Department to

(a) Report the actual cash owned.

(b) Ascertain and deduct the agents' balances over ninety days due.

- (c) Correct the errors noted in this report on the compilation of the premium reserve.
- (e) Ascertain and report the correct liability due for commissions.

It would also appear advisable, in view of the close reinsurance arrangements among the Phenix, Nationale and Abeille, that the accounts be closed and a settlement be made between the various companies at least once a year.

RICHMOND INSURANCE COMPANY

WEST NEW BRIGHTON, N. Y.

Examined to ascertain condition December 31, 1913.

Report dated March 31, 1914.

Examiner: Richard A. Elmer.

This company was organized as a mutual insurance company March 30th, 1836, under the name of the "Richmond County Mutual Insurance Company," and in 1907 was converted into a stock corporation under the provisions of section 125 of the Insurance Law of this State as amended.

Income and Disbursements

The income and disbursements from January 1st, 1913, to December 31st, 1913, were as follows:

Balance December 31, 1912.....	\$472,581 48
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Income

Gross premiums	\$318,768 16	
Deduct reinsurance and return premiums.....	91,655 59	
Total net premiums.....		\$227,112 57
Interest on mortgage loans	\$17,396 16	
Interest on bonds	5,700 85	
Interest on bank deposits.....	639 78	
Interest on real estate sold under contract....	94 11	
Total interest		23,830 90
Insurance premium on property mortgaged.....		16 00
Total income		\$259,959 47
Total		\$723,540 95

Disbursements

Losses paid	\$105,205 52	
Loss expenses	2,021 19	
Commissions	73,405 72	
Salaries, fees, etc.....	5,971 00	
Rent	300 00	
Advertising and printing.....	705 83	
Postage, telegrams, etc.....	154 03	
Legal expense	11 75	
Furniture and fixtures.....	57 00	
Fees, taxes and inspections.....	2,431 66	
State taxes and licenses.....	2,038 95	
Federal and city taxes.....	629 49	
Miscellaneous expenses	509 60	
Dividends to stockholders.....	12,000 00	
Loss on sale of real estate.....	22 12	
Loss on sale of bonds.....	252 50	
Total disbursements		\$205,716 36
Balance (ledger assets December 31, 1913)		\$517,824 59

Financial Condition

The financial condition of the company on December 31, 1913, was found to be as follows:

Ledger Assets

Mortgage loans on real estate.....	\$307,650 00
Book value of bonds and stocks.....	123,715 47
Cash in office	120 00
Cash in bank	46,648 20
Agents' balances representing business written subsequent to October 1, 1913.....	34,128 38
Agents' balances representing business written prior to October 1, 1913	5,562 54
Total ledger assets.....	\$517,824 59

Non-Ledger Assets

Interest due and accrued on mortgages	1,352 27
Interest due and accrued on bonds	1,500 41
Interest due and accrued on bank deposits	60 00
Gross assets	\$520,737 27

Deduct Assets Not Admitted

Agents' balances representing business written		
· prior to October 1, 1913.....	\$5,562 54	
Book value of bonds over market value.....	8,665 47	
		\$14,228 01
Total admitted assets.....		\$506,509 26

Liabilities

Gross amount of unpaid losses.....	\$25,780 00	
Deduct admitted reinsurance.....	959 21	
Net unpaid losses.....		\$24,820 79
Unearned premium reserve.....		120,660 20
Estimated amount due for taxes.....		4,000 00
Total.....		\$158,480 99
Capital.....	\$200,000 00	
Surplus.....	148,028 27	
Surplus to policyholders.....		348,028 27
Total liabilities.....		\$506,509 26

Underwriting

The underwriting of the company with the exception of a few small lines on Staten Island is conducted through the general agency of Messrs. Crum and Forster. This arrangement was authorized by the board of directors at a meeting held on November 28th, 1913. The resolution reads as follows:

"It was Resolved, That Crum and Forster be appointed general agents of this company for the territory in which this company writes business (exclusive of Richmond County, N. Y.); compensation to be 32¼% on net premiums (i. e., premiums less return premiums and reinsurance) which compensation is to cover all their expenses to this company except taxes, insurance departments, patrol, and fire department fees, and Board of Underwriters' and Tariff Association fees and expense of adjustment of losses. This appointment to be subject to such rules and regulations as may be made from time to time by this board or its officers."

ROSSIA INSURANCE COMPANY — UNITED STATES BRANCH

ST. PETERSBURG, RUSSIA

Joint examination by Connecticut and New York to ascertain condition September 30, 1913.

Report dated June 8, 1914.

Examiners: Joseph Froggatt for Connecticut, Isaac Fuld for New York.

History of the United States Branch

The Rossia Insurance Company of St. Petersburg, Russia, entered the United States, by admission to the State of New York on February 5, 1904, and the State of Connecticut on April 26, 1911, for the transaction of the business of fire insurance, with offices located in the city of New York. In June, 1911, it removed its offices to Hartford, Conn.

On November 23, 1911, the company was admitted to transact the business of marine insurance in the State of Connecticut, and on January 5, 1912, to the State of New York.

The company is now authorized to transact the business of fire and marine insurance in the following states: Arkansas, Connecticut, Colorado, Delaware, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, Utah and West Virginia.

The United States branch of the company confines itself to the transaction of a reinsurance business exclusively, with a net annual income of about \$5,700,000 fire premiums and nearly \$900,000 marine premiums.

The following statement shows the financial condition of the United States branch of the company as of September 30, 1913, computed under the provisions of the Insurance Laws of the State of Connecticut:

Assets

Book value of real estate.....	\$76,008 83
Book value of bonds.....	5,045,690 63
Deposits in bank on interest.....	512,404 79
Due from other companies representing business written subsequent to June 30, 1913.....	121,123 43
Due from other companies representing business written prior to July 1, 1913.....	8,615 73
Interest accrued on bonds.....	60,358 29
Interest accrued on bank deposit.....	216 30
Amount reclaimable from treaty companies on account of fire department taxes	45,000 00
Proportion of expenses due from Fire Reassurance Company..	8,405 99
Gross assets	\$5,877,823 99

Deduct Assets Not Admitted

Cash not in control of trustees.....	\$512,404 79
Interest accrued on bank deposits.....	216 30
Due from other companies representing business written prior to July 1, 1913.....	8,615 73
Book value of bonds over market value.....	278,490 63
	<u>799,727 45</u>
Total admitted assets.....	\$5,078,096 54

Liabilities

Unpaid losses	\$972,502 00
Gross premiums received and receivable upon all unexpired risks:	
Fire, \$7,336,897.77; Unearned premium.....	\$3,963,719 22
Marine, \$402,643.61; Unearned premium.....	204,465 90
	<u>4,168,185 12</u>
Unpaid bills	849 64
Trustees' salary accrued.....	1,500 00
Commission	1,028 67
Fire department taxes (estimated).....	45,000 00
Franchise tax, State of New York (estimated).....	2,500 00
Total amount of all liabilities except deposit capital.....	\$5,191,565 43
Deposit capital	\$200,000 00
Deficit, considering deposit capital as a liability	313,468 89
Deficit as regards policyholders.....	113,468 89
Total liabilities, less deficit.....	\$5,078,096 54

The deficit existing, as shown in the foregoing statement, of \$313,468.89, has been made good by the transfer, to the United States trustees of cash and bonds in the amount of \$608,216.20.

The following statements show the financial condition of the United States branch of the company as of September 30, 1913, for both the fire and marine branches, computed in accordance with the Insurance Laws of the State of New York; also its capital condition as required under section 27 of the Insurance Laws of the State of New York:

<i>Ledger Assets</i>	
Book value of real estate.....	\$76,008 83
Book value of bonds.....	4,693,830 63
Deposits in banks and trust companies on interest.....	298,679 78
Due from other companies representing business written subsequent to June 30, 1913.....	108,959 32
Due from other companies representing business written prior to July 1, 1913.....	2,366 65
Total ledger assets.....	<u>\$5,179,845 21</u>

<i>Non-Ledger Assets</i>	
Interest accrued on bonds.....	57,139 54
Interest accrued on bank deposits.....	7 81
Due from Fire Reassurance Company, proportion of expenses.	8,405 99
Amount reclaimable from treaty companies on account of fire department taxes	45,000 00
Due from Marine Branch, Russia Insurance Company, proportion of expenses.....	11,714 31
Gross assets	<u>\$5,302,112 86</u>

<i>Deduct Assets Not Admitted</i>	
Book value of bonds over market value.....	\$271,630 63
Due from other companies representing business written prior to July 1, 1913.....	2,366 65
	<u>273,997 28</u>
Total admitted assets.....	<u><u>\$5,028,115 58</u></u>

<i>Liabilities</i>	
Unpaid losses	\$767,103 00
Unearned premiums:	
On one year risks.....	\$2,131,433 90
On term risks.....	1,832,286 32
	<u>3,963,719 22</u>
Commission	1,028 67
Unpaid bills	<u>849 64</u>

Due other companies.....	\$19,265 66
Trustees' salaries accrued.....	1,500 00
Franchise tax, State of New York (estimated).....	2,500 00
Fire department tax (estimated).....	45,000 00
Total liabilities, except deposit capital.....	\$4,800,966 19
Deposit capital	\$200,000 00
Surplus	27,149 39
Surplus to policyholders.....	227,149 39
Total liabilities	\$5,028,115 58

The above statement shows a surplus to policyholders of \$227,149.39.

Marine Branch

The following statement shows the financial condition on September 30, 1913, of the Marine Branch of the company:

Ledger Assets

Book value of bonds.....	\$351,860 00
Deposits in banks on interest.....	213,725 01
Due from other companies representing business written subsequent to June 30, 1913.....	31,429 77
Due from other companies representing business written prior to July 1, 1913.....	6,249 08
Total ledger assets.....	\$603,263 86

Non-Ledger Assets

Interest accrued on bonds.....	3,218 75
Interest accrued on bank deposits.....	208 49
Gross assets	\$606,691 10

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$6,860 00
Due from other companies representing business written prior to July 1, 1913.....	6,249 08
	13,109 08
Total admitted assets.....	\$593,582 02

Liabilities

Unpaid losses		\$205,399 00
Unearned premiums:		
On term risks.....	\$175,565 65	
On trip risks.....	28,900 25	
		204,465 90
Due Rossia Insurance Company, Fire Branch, proportion of expenses		11,714 31
Total liabilities, except deposit capital.....		\$421,579 21
Deposit capital	\$200,000 00	
Impairment of deposit capital.....	27,997 19	
Surplus to policyholders.....		172,002 81
Total liabilities		<u>\$593,582 02</u>

This financial statement discloses that the deposit capital of the marine branch was impaired in the sum of \$27,997.19.

This impairment has been partly made good by a remittance from the home office of the company of \$25,000, leaving a deficiency amounting to \$2,997.19.

Capital Statement

The financial condition of the United States branch of the company under the requirements of section 27 of the Insurance Laws of the State of New York on September 30, 1913, as ascertained by this examination, was as follows:

Assets

Real estate held by the United States trustees.....	\$76,008 83
Market value of bonds held by U. S. trustees or deposited with Insurance departments.....	4,422,200 00
Total gross assets in the United States deposited with Insurance departments or trustees.....	<u>\$4,498,208 83</u>

Liabilities

Unpaid losses	\$767,103 00
Unearned premiums	3,963,719 22
Commission	1,028 67
Unpaid bills	849 64

Due other companies.....	\$19,266 66
Trustees' salary accrued.....	1,500 00
Taxes on premiums (estimated).....	2,500 00
Total liabilities in the United States.....	\$4,755,966 19
Excess of liabilities over assets.....	257,757 36
Balance (being the gross assets reported above).....	\$4,498,208 83

The debit and credit items of \$45,000, covering fire department taxes appearing in the general financial statements, have been eliminated from the foregoing capital statement. This procedure is followed, for the reason that, while this report recognizes an offsetting credit to the charge made, no such credit is contemplated under the provisions of section 27 of the New York Insurance Law.

The above statement indicates that the company's capital, as contemplated by section 27 of the Insurance Law of the State of New York, has been extinguished and that a further deficiency exists of \$257,757.36.

On the manager's attention being called to such existing condition, steps were taken to make good the deficiency, which was accomplished in the following manner, viz:

On December 22, 1913, \$273,915.48 in cash was transferred and placed to the credit of the United States trustees, in addition to a deposit made on December 9, 1913, with such trustees of the following bonds having a market value of \$282,300.

<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>
Atchison, Topeka & Santa Fe Ry. Co., General Mtge., 4%, 1995.....	\$50,000	\$46,000
Baltimore & Ohio R. R., Prior Lien, 3½%, 1925	50,000	45,500
Louisville & Nashville R. R. Co., Unified, 4%, 1940	50,000	46,000
Missouri, Kansas & Texas Ry. Co., First Mortgage, 4%, 1990.....	50,000	44,000
New York, Ontario & Western Ry. Co., First & Ref. Mtge., 4%, 1992.....	15,000	12,750
Norfolk & Western Ry. Co., First Consolidated Mtge., 4%, 1996.....	45,000	41,850
Wabash Railroad Co., First Mtge., 5%, 1939..	30,000	30,600
Western New York & Penn. Ry. Co., First Mtge., 5%, 1937.....	15,000	15,600
Total par and market values.....	\$305,000	\$282,300

As verifying said deposits, affidavits of the United States manager and of the trustees are attached hereto.

Real Estate

The real estate consists of a plot of ground purchased in April, 1913, on which a building to be occupied as the home office of the company is being erected. The purchase price of the land and an additional sum disbursed for building purposes, making a total of \$76,008.83 for the purpose of this examination, has been allowed in the foregoing financial and capital statements as the value of such real estate. z

No appraisal of the real estate owned has been made, nor has the title to the property been examined. We would therefore respectfully suggest that the said real estate be appraised and the title thereto examined upon the completion of the building.

Among the securities held in trust by the United States trustees are \$300,000 par value, city of New York, East River bridge, 3½ per cent. bonds due 1953, registered in the name of the Rossia Insurance Company, and \$50,000 par value, New York Central and Hudson River R. R. Co. first mortgage 3½ per cent. bonds, due 1997, registered in the name of the Rossia Insurance Company, United States Department. Such securities have not been assigned to the trustees. Inasmuch as these securities are in the physical possession of the trustees, and by them have been reported to these Departments as held for the protection of the United States policyholders, we have given the company credit in the foregoing general and capital statements. It is, however, respectfully suggested that the United States manager and the trustees be directed to take the necessary steps looking to proper registration of said securities and to furnish the Departments of the States of New York and Connecticut with proof of the proper assignment of said securities to the United States trustees.

Marine.—The amount charged as a liability for unpaid losses includes all losses reported to October 31, 1913, which were incurred on or before September 30, 1913, and in addition thereto we have charged an estimated amount of \$50,000 as a liability for losses not yet reported. This additional charge has been made

owing to the fact that an unusually long period, at times, elapses between the occurrence of a loss and its report to the company.

An examination of the loss registers evidenced the fact that during the months of November and December, 1912, losses were reported which were incurred on or before September 30, 1912, approximating the sum of \$50,000, and for this reason such estimated additional charge has been made.

Unearned Premiums

The unearned premium liability, computed on a pro rata basis, of \$3,963,719.22 is \$33,379.28 greater than if computed on the annual statement basis. It was verified by checking the ceding companies' written and cancellation bordereaux with the company's reserve book. In the course of such verification it developed that clerical errors had been made in preparing the canceled premium cards for use in the tabulating machine. Such clerical errors resulted in a considerable increase in the premiums canceled. These errors remained undiscovered by reason of the failure of the company to compare the result so obtained with the amount of cancellations reported by the ceding companies.

It was therefore necessary to list the cancellations of a number of months in order to arrive at the actual amount of cancellations in such months.

Fire Department Tax

A suit is now pending in the Supreme Court, brought by the Fire Commissioner of the city of New York, against one of the foreign reinsurance companies for the recovery of taxes payable to said fire commissioner under the provisions of sections 799 and 800 of the charter of the city of New York; therefore, the sum of \$45,000 has been charged as the estimated liability which this company may be called upon to pay.

This charge has been made, although United States Manager Sturhahn claims that in the event of the company being called upon to pay this tax, it would be repaid by the various ceding companies.

In support of such claim, Manager Sturhahn has procured from the various companies with which the Russia has treaties certificates to the effect "that fire department taxes or assessments are included under 'taxes and other assessment' payable by this company upon reinsurance ceded to the Russia Insurance Company under its reinsurance agreement and are refunded to the Russia if paid by them directly * * *."

We have therefore recognized the certificates as sufficient evidence to enter a corresponding credit offsetting the charge on such account.

All other asset and liability items have been verified in the usual manner.

Statutory Deposits

The company has on deposit with the general fiscal officers of the States named below the following bonds for the protection of its policyholders in the United States:

Fire Branch

<i>State</i>	<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>
New York, State of N. Y. Canal Imp., 3%, 1959.		\$200,000	\$188,000
Connecticut, State of N. Y. Canal Imp., 3%, 1957		150,000	141,000
Connecticut, State of N. Y. Canal Imp., 4%, 1960		50,000	50,000
Connecticut, State of N. Y. Canal Imp., 4%, 1961		10,000	10,000
Ohio, City of Cleveland, O., 4¼%, 1931.....		100,000	101,000

Marine Branch

New York, State of N. Y. Canal Imp., 4%, 1961	200,000	200,000
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Certificates were obtained from the proper officials covering the above enumerated deposits.

Your attention is specially called to the fact that the market value of the securities deposited in the State of New York covering the fire branch of the company is \$12,000 short of the statutory requirements.

To comply with the requirements of various States, the company has filed, with the proper officers of the States named below, surety bonds in the following amounts:

<i>State</i>	<i>Amount of bond</i>
Texas	\$50,000 00
Louisiana	20,000 00
North Carolina	10,000 00
Arkansas	20,000 00

Annual Statement

An examination of the annual statement of the fire branch, filed for the year ending December 31, 1912, disclosed that the company had omitted to charge itself with a liability for contingent commissions paid during 1913 on the business of 1912, of \$42,953.33.

In February, 1912, fire premiums approximating \$120,000 were erroneously entered in the reserve book as cancelled, expiring in 1913. These premiums actually expired in 1912 and no credit should have been taken. In addition, all premiums expiring in other years and cancelled during said month were entered in said reserve book as expiring one year later than the actual date of expiration. The correct entry of these cancellations would have increased the unearned premium liability on December 31, 1912, in an approximate amount of \$75,000.

In the statement filed covering the marine branch the company, in addition to the liability for reported unpaid losses on December 31, 1912, charged a liability of \$15,000 for losses unreported.

An examination of the losses reported subsequent to December 31, 1912, but incurred prior thereto, evidenced the fact that \$70,000 more nearly represented the actual liability than the amount reported. An accurate establishment of the amount due on such account by the company was of course not possible at the close of the year, and the increase referred to was ascertained by an examination of the settlements, revised estimates, etc., not fully in possession of the company when the annual statement was presented.

Remittances to and from Home Office

The following schedules show all monies received from or remitted to the home office of the company by its United States branch on account of its fire branch, from January 1, 1909, to

September 30, 1913, and on account of its marine branch from a time prior to its admission as a marine company to September 30, 1913:

<i>Fire Branch</i>		
<i>Year</i>	<i>Received from Home Office</i>	<i>Remitted to Home Office</i>
1909	\$717 70	\$425,000 00
1910	2,284 32	200,000 00
1911	50,000 00	165,000 00
1912	201,822 92	175,031 25
1913 (to Sept. 30) . . . . .	.....	425,000 00
	<u>\$254,824 94</u>	<u>\$1,390,031 25</u>

<i>Marine Branch</i>		
1911	\$230,000 00	.....
1912	145,000 00	.....
1913 (to Sept. 30)	7,230 00	\$132,230 00
	<u>\$382,230 00</u>	<u>\$132,230 00</u>

RUSSIAN REINSURANCE COMPANY — UNITED STATES BRANCH

ST. PETERSBURG, RUSSIA

Examined to ascertain condition December 31, 1913.

Report dated April 24, 1914.

Examiner: Charles H. Gardner.

<i>Assets</i>	
Book value of bonds	\$1,368,008 08
Cash in bank	144,761 85
Premiums due — net balance of account	30,338 25
Total ledger assets	<u>\$1,543,008 18</u>

<i>Non-Ledger Assets</i>	
Accrued interest on bonds	11,407 50
Gross assets	<u>\$1,554,415 68</u>

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$54,328 08
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Admitted assets	<u>\$1,500,087 60</u>
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Liabilities

Unpaid losses	\$129,551 93
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Unearned premiums — one year risks.....	\$403,480 24
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Unearned premiums — term risks.....	394,696 53
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Total unearned premiums.....	798,176 77
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Tax on premiums estimated.....	17,872 68
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Contingent commissions	13,166 84
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Adjustment expenses	668 60
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Total amount of all liabilities.....	<u>\$959,436 80</u>
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Deposit capital	\$200,000 00
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Surplus	340,650 80
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Surplus to policyholders.....	<u>540,650 80</u>
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Total liabilities	<u><u>\$1,500,087 60</u></u>
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Capital Statement

The financial condition of the United States Branch of the company on a capital statement basis on December 31, 1913, as ascertained by this examination, was as follows:

Assets

Securities Deposited in Insurance Departments:

State of New York.

	<i>Par Value</i>	<i>Market Value</i>	
New York City 4's, 1956.....	\$223,000	\$211,850	

State of Ohio.

U. S. Gov. 4's, 1924.....	100,000	104,000	
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Total par and market value..	<u>\$323,000</u>	<u>\$315,850</u>	\$315,850 00
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Securities held by the United States Trustee:

N. Y. City Corporate Stock.....	\$1,035,000	\$997,830	
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Total par and market value....	<u>\$1,035,000</u>	<u>\$997,830</u>	997,830 00
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Gross assets in the United States.....	<u><u>\$1,313,680 00</u></u>
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Liabilities

Total unearned premiums.....	\$798,176 77
Unpaid losses	129,551 93
All other liabilities.....	31,708 10
Total liability in the United States.....	\$959,436 80
Capital under Sec. 27 of the Insurance Law.....	354,243 20
Total (being gross assets reported above).....	\$1,313,680 00

As a result of this examination the surplus of the company was found to be the sum of \$340,650.80 above the deposit capital of \$200,000, or a reduction of \$5,630.37 in the surplus as reported by the company in its annual statement submitted to the Department for the year ending December 31, 1913. This reduction is due to the fact that the amount due for contingent commissions was increased \$5,666.84 in excess of the amount charged by the company in its annual statement. The outstanding loss account was reduced \$36.47, leaving a net balance of \$5,630.37 or a reduction in surplus of said amount.

Attached to this report is a schedule of the securities owned by the company setting forth the book, par and market value of the same.

SECOND RUSSIAN INSURANCE COMPANY — UNITED STATES BRANCH.

ST. PETERSBURG, RUSSIA

Verification of capital statement as of December 1, 1913.

Report dated December 6, 1913.

Examiner: Charles H. Gardner.

Assets

Deposited with the Superintendent of Insurance of the State of New York:

<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>	
City of New York 3's, 1925.....	\$17,000	\$14,960	
City of New York 3½'s, 1928....	75,000	68,250	
City of New York 3½'s, 1930....	15,000	13,500	
City of New York 3½'s, 1920....	25,000	23,750	
City of New York 3½'s, 1922....	75,000	70,500	
City of New York, 3's, 1920.....	15,000	13,800	
Total par and market value..	\$222,000	\$204,760	\$204,760 00

Deposited with the United States Trustee:

<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>	
County of Cuyahoga 5's, April 1, 1919	\$16,000	\$16,480	
County of Cuyahoga 5's, October 1, 1919	16,000	16,480	
County of Cuyahoga 5s, April 1, 1920	16,000	16,640	
County of Cuyahoga 5's, October 1, 1920	16,000	16,640	
County of Cuyahoga 5's, April 1, 1921	16,000	16,640	
County of Cuyahoga 5's, October 1, 1921	16,000	16,640	
County of Cuyahoga 5's, April 1, 1922	4,000	4,200	
Total par and market value..	\$100,000	\$103,720	\$103,720 00
Cash on deposit with trustee.....			193,034 48

Total gross assets in the United States deposited with Insurance Department and trustee.....	\$501,514 48
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Liabilities

Unearned premiums	\$928 79
Unpaid losses	450 00
Total liabilities in the United States.....	\$1,378 79
Capital under Sec. 27 of the Insurance Law.....	500,135 69
Total (being gross assets reported above)	\$501,514 48

The securities entered in the foregoing financial statement represent a par value of \$322,000 and a market value of \$308,480. Of this amount \$222,000 par value is deposited with the Insurance Department of this State, and the amount of said deposit was verified from the Department records (certificate of deposit annexed hereto). The remaining \$100,000 is held by the New York Life Insurance and Trust Company of New York, United States trustee of the company. The securities held by the United States trustee were verified by a personal examination and count thereof. The cash, amounting to \$193,034.48, was certified to by the New York Life Insurance and Trust Company, as being on deposit with said corporation on December 1, 1913, as is evidenced by a bank certificate attached hereto.

The liabilities of \$1,378.79 entered in the above financial statement are due to the fact that the company, through its home office, is accepting reinsurance from the United States branches of the British America and Western Assurance Companies of Canada, respectively, upon risks located in Porto Rico. Statements of account were procured from each of the above named companies, showing the liability incurred as a result of said reinsurance, and properly chargeable on November 27, 1913. The statements above referred to, being duly sworn to by W. B. Meikle, General Manager of both companies, are attached to this report.

SENECA FIRE INSURANCE COMPANY

BUFFALO, N. Y.

Examined on organization.

Report dated January 30, 1914.

Examiner: John E. Watson.

Organization

The company was incorporated February 1, 1912, under the provisions of section 110 of the Insurance Law. This incorporation took the place of a former one made in 1909, which had been forfeited for non-use under the Stock Corporation Law.

Purposes

The company was organized to do a general fire, inland marine, tornado and automobile insurance business.

Capital Stock

The authorized capital stock was placed at \$200,000, divided into 20,000 shares of a par value of \$10 each.

These shares were to be sold at \$22 each, which was to provide funds as follows, viz.:

Capital	\$200,000 00
Surplus	200,000 00
Organization expense	40,000 00

Sales of Stock

The stock was sold by several methods:

- (a) Mail.
- (b) Stock salesmen.
- (c) Syndicate subscription.

The mail campaign was confined to a list of two thousand names and the results obtained were small.

Sales were made by a stock salesman up to March, 1913, when section 66 of the Insurance Law became effective, prohibiting the sale of securities of an authorized insurance corporation in this State until and unless a certificate of authority shall first have been procured from the Superintendent of Insurance.

Since that time sales of stock by salesmen have been discontinued.

On October 18, 1912, the company agreed to sell to a syndicate headed by C. C. Quinlan of Detroit, Michigan, 5,500 shares of the capital stock of the company, being all the shares of stock remaining unsold at such time. The syndicate agreed to pay the same price as other stockholders, the commission on the sale of this block of stock being allowed at \$2 per share to a stock salesman representing the syndicate, the net result of the transaction being the cost to the company of the full \$2 per share expense portion of the purchase money.

In December, 1913, this syndicate informed the company that they could not complete the payments on the full subscription of 5,500 shares, but would return to the company 4,500 shares. A new syndicate was formed consisting of fifteen persons interested in the company, to take over these unsubscribed shares, and on December 31, 1913, the last of the cash necessary to pay for these shares and complete the organization was paid into the company's treasury.

In making subscriptions to the 4,500 shares necessary to complete the organization, the syndicate procured the money to pay for same on individual notes discounted by banks. The members of the syndicate expect to sell the stock so subscribed for and with the proceeds liquidate the notes. The examiner is informed that

said notes are individual liabilities of the persons comprising the syndicate and do not bear the name of the company either as maker or indorser.

Financial

The transactions of the company are set forth in the following financial statement:

Income

Subscriptions to capital stock.....	\$200,000 00
Contributions to surplus by stockholders.....	200,000 00
Contributions to surplus by forfeiture of subscriptions.....	303 00
Organization expense contributions by stockholders.....	40,000 00
Interest on investments.....	2,452 90
Interest on bank deposits (capital deposits).....	2,048 50
Interest on bank deposits (expense money).....	270 75
Total income	\$445,075 15

Disbursements

Commissions	\$33,142 01
Printing and postage.....	4,155 67
Miscellaneous expense	5,025 87
Furniture and fixtures.....	1,041 80
State taxes	100 00
Unaccounted for funds.....	1,375 89
Total disbursements	44,841 24
Balance	\$400,233 91

Assets

Accounted for as follows:	
Municipal bonds (purchase price).....	\$211,678 89
Certificates of deposit.....	118,000 00
Cash in bank.....	70,555 02
	\$400,233 91

Non-Ledger Assets

Interest accrued on bonds.....	2,297 68
Market value of bonds over purchase price....	1,778 03
Total assets	\$404,309 62

Liabilities

Capital	\$200,000 00
Surplus	204,309 62
	\$404,309 62

SUFFOLK COUNTY MUTUAL INSURANCE COMPANY

SOUTHOLD, N. Y.

*Examined to ascertain condition June 30, 1913.**Report dated July 14, 1913.**Examiner: Richard A. Elmer.*

Organization: The Suffolk County Mutual Insurance Company was incorporated on April 30, 1836; on March 30, 1856, an act was passed by the Legislature of this State to continue and extend the charter of the company for the term of twenty years from and after the 30th day of April, 1856; on the 22nd day of April, 1875, the charter was continued and extended under the General Insurance Laws of New York for a term of thirty years, and on March 15, 1905, the charter was continued and extended for a term of thirty years from and after the 30th day of April, 1906.

To become a member of this company and obtain insurance therein, the applicant must give a deposit note varying from 8 per cent. to 20 per cent. of the insurance, according to the nature of the risk. Article XI of the by-laws and rules of the company, however, provide as follows: "For the present, and so long as in the judgment of the directors the funds on hand are sufficient, those who have been members for eight years shall be entitled to a renewal of their policies (if renewable at all) by paying one and one half per cent. on the amount of their deposit notes."

The company also writes insurance for "cash premiums" without notes, allowing no reduction for premiums on account of length of time insured, using a special cash policy to be adapted to this new condition. (Article XXVI, by-laws and rules, Suffolk County Mutual Insurance Company.) This policy is endorsed "Non-assessable."

Officers and Directors: At the annual meeting of the company held on January 28, 1913, at the office of the company in Southold, New York, the following officers and directors were elected for the ensuing year:

President and treasurer, Samuel Dickerson; vice-president, Henry H. Preston; secretary, Albert A. Folk; attorney, Nathan D. Petty.

Nathan D. Petty, Jonathan Baker, J. Madison Wells, Henry H. Preston, Samuel Dickerson, Charles E. Overton, Marcus W. Terry, Erastus F. Post, Archibald S. Havens, Silas F. Overton, S. Lester Albertson, Samuel O. Hedges, William A. Fleet.

Financial Condition: The financial condition of the company as of June 30, 1913, was found to have been as follows:

<i>Assets</i>	
Mortgage loans on real estate.....	\$77,550 00
Cash in bank.....	18,476 71
Agents' balances within three months.....	549 73
Accrued interest on mortgages.....	1,178 74
Accrued interest on bank deposits.....	312 48
Total admitted assets.....	\$98,067 66
<i>Liabilities</i>	
Unpaid losses	\$225 00
Unearned premiums	4,651 42
Liabilities except surplus.....	\$4,876 42
Surplus over all liabilities.....	93,191 24
Total liabilities	\$98,067 66

Mortgage Loans: The principal asset of the company consists of forty-five mortgage loans on real estate and a schedule of the said loans is filed with the paper of this report. The papers in connection with each loan were examined and though no appraisals have been made of the real estate mortgaged, it is believed that the loans are sufficiently secured.

Mortgage loan No. 70 for \$1,800 given in the year 1910 is to Albert A. Folk, the secretary of the company, and would appear to be in violation of the provisions of section 36 of the Insurance Law of this State, which reads in part as follows:

"No director or officer of an insurance corporation doing business in this state shall receive * * * or any loan from such corporation * * *."

Mortgage loan No. 10 for \$1,650 given in 1895 is to J. Madison Wells, a director of the company. This loan, however, was made before the enactment of the above quoted section.

Cash in Bank: The cash in bank consists of an active account in the Bank of Southold, New York, and deposits in five saving

banks. The balances in the various banks were verified by means of certificates from the banking institutions.

Records and Accounts: The company draws up a general financial statement but once a year, and as the books were not written up as of June 30, 1913, no attempt has been made to compile a schedule of income and disbursements or audit the receipts and outgo.

All premiums are paid to the secretary, Mr. Albert A. Folk, who enters them on the books of the company and turns them over by check to Mr. Dickerson, the president and treasurer, who deposits same in the Bank of Southold to the order of the company. The records of the treasurer are somewhat primitive and difficulty was experienced in reconciling his balance with the balances in the various banks, for the reason that no separate account is kept with each bank.

It is respectfully recommended that the company be advised to install a proper set of books, showing by date all items of receipts and outgo, to open separate bank accounts on the books of the treasurer and balance same each month.

UNION FIRE INSURANCE COMPANY — U. S. BRANCH

PARIS, FRANCE

Examined to ascertain condition March 31, 1914.

Report dated June 19, 1914.

Examiner: Richard A. Elmer.

The Union Fire Insurance Company was originally authorized by Royal Ordinance under date of October 5, 1828, and was converted into a joint stock company by decree of the president of the republic under date of February 29, 1876. At the present time the company is operating in the following countries: France, Switzerland, Italy, Belgium, England, Scandinavia, Germany, Bulgaria, Russia, Turkey, Egypt, British India, Canada, Cuba, and the United States. The company entered the United States in 1910 under the provisions of section 27 of the Insurance Law of the State of New York, making the statutory deposit with the

Superintendent of Insurance of the said State and appointing the Farmers Loan and Trust Company of the City of New York the United States trustee. The corporation of Starkweather & Shepley, of Providence, R. I., was appointed the United States manager.

The United States manager operates and conducts the affairs of the company under the provisions and conditions contained in a letter of instruction, dated June 10, 1910, from the foreign manager of the company.

The essential features of the said letter are as follows:

- (a) The United States manager is given full power for the representation of the company in the United States and the transaction of all business relative to insurance for the said company.
- (b) The underwriting territory is indicated, the installation of agents required and the amount to be written on the various lines specified.
- (c) All expenses of conducting the business are to be paid by the United States manager with the exception of loss adjustments, licenses, taxes and administrative expenses.
- (d) In payment for the said services and disbursements a fixed commission of 33% is allowed, calculated on the net premium income.
- (e) Bordereaux of premiums written, cancelled and reinsured, and losses incurred and paid are to be forwarded to the home office weekly and a complete account of the various transactions each month.

I am also advised that it is understood between the company and the manager that all balances due the company shall be paid within ninety days, and that the United States manager is responsible and obligated to make good any losses or defalcations on account of any agent of the company.

CAPITAL STATEMENT

The financial condition of the company on March 31, 1914, under the capital statement requirements, as provided for in section 27 of the Insurance Law, was as follows:

	<i>Assets</i>	<i>Par value</i>	<i>Market value</i>
Securities deposited in Insurance Departments or with chief financial officers in various States of the United States		\$345,000 00	\$350,550 00
Securities vested and held in the United States by Trustees		360,254 60	336,421 50

Total gross assets in the United States deposited with Insurance Departments and Trustees.....	\$686,971 50
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Liabilities

Unearned premium reserve.....	\$349,252 01
Unpaid losses	62,836 24
Other liabilities	2,500 00

Total liabilities in the United States.....	\$414,588 25
Capital under section 27 of the Insurance Law.....	272,383 25

Total (gross assets)	\$686,971 50
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INCOME AND DISBURSEMENTS

A condensed schedule of the income and disbursements from January 1, 1914, to March 31, 1914, is as follows:

Balance December 31, 1913.....	\$964,493 69
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Income

Net premiums written.....	\$113,916 26
Interest on securities and bank deposits.....	8,874 18

Total income	122,790 44
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\$1,087,284 13

Disbursements

Losses paid, less reinsurance.....	\$78,180 39
Expenses, taxes, etc.....	46,625 56

Total disbursements	124,805 95
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\$962,478 18

GENERAL STATEMENT

The condition of the company under the general form of statement on March 31, 1914, was found to have been as follows:

Ledger Assets

Book value of bonds.....	\$698,330 00
Deposited in trust companies.....	150,131 92
Agents' balances, representing business written subsequent to January 1, 1914.....	103,473 49
Agents' balances, representing business written prior to January 1, 1914.....	10,442 77
Philadelphia Underwriters' Association deposit..	100 00

Total ledger assets.....	\$962,478 18
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Non-Ledger Assets

Accrued interest	\$8,241 21
Gross assets	<u>\$970,719 39</u>

Deduct Assets Not Admitted

Agents' balances, representing business written prior to January 1, 1914.....	\$10,442 77	
Book value of bonds over market value.....	11,358 50	
		<u>21,801 27</u>
Total admitted assets.....		<u><u>\$948,918 12</u></u>

Liabilities

Gross amount of unpaid losses and claims.....	\$101,369 35	
Deduct admitted reinsurance.....	38,533 11	
		<u>\$62,836 24</u>
Net amount of unpaid losses.....		\$62,836 24
Unearned premium reserve.....		349,252 01
Estimated amount for taxes, expenses, etc.....		2,500 00
Commissions due or accrued.....		37,592 37
		<u>\$452,180 62</u>
Total		\$452,180 62
Minimum deposit capital.....	\$200,000 00	
Surplus	296,737 50	
		<u>496,737 50</u>
Surplus to policyholders.....		496,737 50
Total liabilities		<u><u>\$948,918 12</u></u>

Securities Owned

The securities deposited with the various States were verified by means of certificates obtained from the proper State officials. It will be noted that the securities deposited with the States of New York and Ohio are held for the protection of all the policyholders of the company, and that the securities deposited with the States of Georgia and Virginia are special deposits and are not held for the protection of all the policyholders in the United States.

The securities vested in and held by the United States trustee, the Farmers Loan and Trust Company of New York, were ex-

amined and verified at the office of the said trust company in the City of New York.

A schedule of all the securities owned, giving the book and par values and the market value as of March 31, 1914, is as follows:

Securities Deposited in Insurance Departments or with Chief Financial Officers in Various States of the United States:

	<i>Book value</i>	<i>Par value</i>	<i>Market value</i>
State of New York: City of New York, corporate stock, 4¼%, 1960..	\$211,575 00	\$210,000 00	\$214,200 00
State of Ohio: City of Cleveland, water-works bonds, 4%, 1940.....	100,750 00	100,000 00	103,000 00
State of Virginia: City of Richmond, Public Improvement, 4%, 1943....	24,580 00	25,000 00	23,250 00
State of Georgia: City of Atlanta, Redemption, 4½%	10,050 00	10,000 00	10,100 00
<i>Securities Vested and Held in the United States by Trustees:</i>			
Farmers Loan and Trust Co. of New York (Trustee)—Atchison, Topeka & Santa Fe General Mtg., 4%, 1995.	98,375 00	100,000 00	95,000 00
Baltimore & Ohio 1st Mtg., 4%, 1948.	98,500 00	100,000 00	95,000 00
Central Pacific 1st Refdg. 4%, 1949..	96,500 00	100,000 00	94,000 00
Republic Francals Public Rentes, 3%, perpetual (Fca. 312,200)	58,000 00	60,254 60	52,421 50
Totals	<u>\$698,330 00</u>	<u>\$705,254 60</u>	<u>\$686,971 50</u>

Agents' Balances

As previously noted in this report, an understanding exists between the company and the United States manager that all the agency balances shall be paid within ninety days. From an examination of the agents' accounts it was found that an amount equal to all the net balances due prior to January 1, 1914, had been paid to the company by March 31, 1914. However, an analysis of the balances due the company on March 31, 1914, amounting to the sum of \$113,916.26, showed that the said balances contained certain premiums on policies written prior to January 1, 1914, and consequently over ninety days due. As section 118 of the Insurance Law of the State of New York provides that on examination there shall be allowed as assets only "unpaid premiums on policies written within three months," the

above-mentioned premiums over ninety days due, amounting to the sum of \$10,442.77, have been deducted as a not admitted asset.

In this connection it is respectfully recommended that in making future reports to this Department the company be advised to ascertain and deduct as a not admitted asset all uncollected premiums over ninety days due.

Unpaid Losses

The papers and records in connection with the losses were examined and the unpaid losses on March 31, 1914, were found to aggregate \$101,369.35, with admitted reinsurance of \$38,533.11. This amount is less than the amount reported by the company in its quarterly statement as of March 31, 1914, for the reason that there has been used, whenever possible, the amount actually paid instead of the original estimate, and the difference practically represents the gain over the original estimate.

Unearned Premium Reserve

The reserve records are kept by yearly expirations, and it is only on December 31st of each year that the company can accurately ascertain the reserve on a 50 per cent. basis.

In examining the reserve as of December 31, 1913, it was found that certain clerical errors had been made and that there had not been included premiums written in advance (*i. e.*, premiums on policies written in 1914), although the said premiums had been included in the agency balances. By adjusting these various discrepancies the reserve as of December 31, 1913, was increased to the sum of \$808,470.42, and for the purpose of this examination an estimate based on the premiums written during the first three months of 1914 was used to obtain the reserve figure of \$349,252.01 reported in the foregoing financial statement.

Surplus to Policyholders

The surplus to policyholders reported in the company's quarterly statement as of March 31, 1914, amounted to the sum of \$540,201.16. The surplus shown in the foregoing financial state-

ment is \$496,737.50, a decrease of \$48,463.66. The decrease is accounted for in the following items:

	Gain in surplus	Loss in surplus
Agents' balances over 90 days due.....		\$10,442 77
Book value of bonds over market value.....		11,358 50
Unpaid losses	\$4,187 88	
Premium reserve		25,628 56
Other liabilities		221 71
	\$4,187 88	\$47,651 54
Decrease in surplus	43,463 66	
	\$47,651 54	\$47,651 54

VULCAN INSURANCE COMPANY

NEW YORK, N. Y.

Examined to ascertain condition November 30, and December 31, 1913.

Report dated March 6, 1914.

Examiner: William H. Derrick.

Financial Statement November 30, 1913

Ledger Assets

Book value of bonds.....	\$292,798 13	
Deposits in bank and trust companies.....	20,328 23	
Agents' balances, representing business written subsequent to August 31, 1913.....	18,586 41	
Agents' balances, representing business written prior to September 1, 1913.....	22,038 96	
Total ledger assets.....		\$353,751 73

Non-Ledger Assets

Interest on bonds due.....	\$655 00	
Interest on bonds accrued.....	1,799 15	
	\$2,454 15	
Interest accrued on bank deposits.....	86 67	
Reinsurance due on paid losses.....	4,437 02	
		6,977 84
Gross assets		\$360,729 57

Deduct Assets Not Admitted

Agents' balances representing business written prior to September 1, 1913.....	\$22,038 96	
Book value of bonds over market value.....	9,898 13	
		<u>\$31,937 09</u>
Total admitted assets.....		<u><u>\$328,792 48</u></u>

Liabilities

Unpaid losses, net.....	\$32,360 95	
Unearned premiums, pro rata.....	80,629 14	
Taxes accrued on premiums (estimated).....	1,860 00	
Unpaid bills	300 00	
		<u>\$115,150 09</u>
Total liabilities except capital.....		
Capital	\$200,000 00	
Surplus	13,642 39	
		<u>213,642 39</u>
Surplus to policyholders.....		
Total liabilities		<u><u>\$328,792 48</u></u>

*Financial Statement December 31, 1913**Ledger Assets*

Book value of bonds.....	\$292,798 13	
Deposits in bank and trust companies.....	23,143 00	
Agents' balances, representing business written subsequent to September 30, 1913.....	16,353 23	
Agents' balances, representing business written prior to October 1, 1913.....	6,901 94	
		<u>\$339,196 30</u>
Total ledger assets.....		

Non-Ledger Assets

Interest on bonds due.....	\$637 50	
Interest on bonds accrued.....	2,330 82	
		<u>\$2,968 32</u>
Interest accrued on deposits in banks.....	27 82	
Reinsurance due on losses paid.....	3,900 20	
		<u>6,896 34</u>
Gross assets		<u>\$346,092 64</u>

Deduct Assets Not Admitted

Agents' balances, representing business written prior to October 1, 1913.....	\$6,901 94	
Book value of bonds over market value.....	9,448 13	
		<u>16,350 07</u>
Total admitted assets.....		<u><u>\$329,742 57</u></u>

Liabilities

Unpaid losses, net.....		\$23,792 38
Borrowed money		45,000 00
Due on reinsurance agreement:		
Western Assurance Co.....		2,525 45
Home Insurance Co.....		1,410 98
Reinsurance premiums		935 18
Taxes on premiums accrued (estimated).....		1,864 00
Interest accrued on borrowed money.....		12 34
Total liabilities, except capital.....		\$75,540 33
Capital	\$200,000 00	
Surplus	54,202 24	
Surplus to policyholders.....		254,202 24
Total liabilities		\$329,742 57

Cash

The contract under which Kahn & Company act as general agents and underwriters provides that monthly balances are to be paid within ninety days. In accordance with this provision, checks are drawn by Kahn & Company to the order of the Vulcan Insurance Company for monthly balances at the expiration of the ninety-day period. It has been the practice of the company to hold these checks in its office for from four to six weeks before depositing them.

The checks so held have varied in amounts from \$6,806.90 on March 31, 1912, to \$22,038.96 on November 30, 1913, and are carried by the company as "Cash in Office," although the company does not at any time have any cash in its office.

The effect of treating these items in this manner is to create an admitted asset, "Cash in Office," when virtually the items represent agents' balances more than three months due, a non-admitted asset, thereby increasing the surplus in the amount of the checks so held.

The cash book of the company shows a balance on November 30, 1913, of \$39,027.52 made up of balances in banks, as follows:

Equitable Trust Co.....	\$11,915 82	
Irving National Bank.....	635 72	
		\$12,551 54

and the following checks of Kahn & Company:

<i>Date received by company</i>	<i>Date deposited by company</i>	<i>Amount</i>
Sept. 30, 1913.....	Dec. 9, 1913.....	\$4,643 93
Oct. 30, 1913.....	Dec. 11, 1913.....	3,267 24
Oct. 30, 1913.....	Dec. 17, 1913.....	3,000 00
Oct. 31, 1913.....	Dec. 22, 1913.....	794 99
Nov. 30, 1913.....	Dec. 31, 1913.....	5,000 00
Nov. 30, 1913.....	Dec. 31, 1913.....	6,127 79
Returned to Kahn & Co.		
Nov. 30, 1913.....	Dec. 31, 1913.....	3,642 03
		\$26,475 98
		\$39,027 52

It has also been the practice of the company, when notice is received of the adjustment of a fire loss, to draw a check for the amount of the loss, holding same at its office until draft is presented, the amount of the checks so drawn being treated as a disbursement and deducted from cash and from unpaid losses. On November 30, 1913, the amount of checks so drawn was \$7,863.36 and on December 31, 1913, \$8,855.36.

In the report on examination of the company dated March 14, 1912, attention is called and objection made to the following resolution adopted at a meeting of the executive committee held on October 19, 1911:

"Resolved, That Mr. Isidor Kahn be authorized and empowered to accept and receive moneys payable to the Vulcan Insurance Company, and to deposit same to his own account or such account or accounts as he may designate."

At a meeting of the executive committee of the board of directors held on March 14, 1912, the above quoted resolution was rescinded and the following adopted:

"Resolved, That the President be authorized to open an account in the name of Vulcan Insurance Company in any bank or trust company which he may deem proper or suitable, and that the President, together with either the Vice-President or Secretary, be and they hereby are authorized and empowered to sign checks against the funds of Vulcan Insurance Company so deposited."

At this meeting it was also resolved that an account be maintained in the Mercantile National Bank in the name of Vulcan Insurance Company.

In accordance with this resolution, the funds belonging to the company were transferred and placed to the credit of Vulcan Insurance Company.

However, it would appear that the changing of the bank accounts as authorized by the above quoted resolution became ineffective through the manner in which remittances received from Kahn & Company were held by the company, thereby virtually allowing Kahn & Company to retain possession of the funds.

The quarterly statements filed with the Department for the years 1912 and 1913 were incorrect in that these checks so held were reported as "Cash in Office."

It is therefore respectfully suggested that the company be notified that such methods of transacting its business should cease and that when checks are received, same should be deposited within a reasonable time.

Interest

Interest due on bonds credited in the foregoing financial statements amounting to \$655 and \$637.50 on November 30 and December 31, 1913, respectively, represent interest due on November 1 and December 1, 1913, and not deposited until subsequent to date of the examination.

Borrowed Money

On December 31, 1913, the company was indebted to the firm of H. Content & Company, 111 Broadway, New York, N. Y., in an amount of \$45,000, for which the said firm held the following securities as collateral:

	<i>Par value</i>	<i>Market value</i> 
Pennsylvania R. R. Co., 3½%, 1915.....	\$25,000	\$24,250
Illinois Central R. R. Co., 4%, 1955.....	10,000	9,000
Baltimore & Ohio R. R. Co., Southwestern Division, 4%, 1988.....	10,000	8,800
New York City, 3½%, 1918.....	5,000	4,850
New York City 3½%, 1954.....	14,000	11,900
	\$64,000	\$58,800

This loan was made and collateral deposited in accordance with a resolution of the executive committee adopted on December 30,

1913. This resolution empowered the President and Secretary to deposit certain bonds with Messrs. Content & Company in an amount not exceeding seventy-five thousand dollars, for the purpose of making a temporary loan thereon.

Covering the above enumerated securities a sworn statement was procured from Mr. Albert M. Wittenberg, a member of the firm of H. Content & Company, and is attached hereto, to the effect that the said securities were deposited with the said firm as collateral for a loan.

Surplus

The material increase in surplus on December 31, 1913, over that on November 30, 1913, is due, mainly, to the decrease in the amount of the non-admitted asset — "Agents' balances" — and the commission on the reinsurance effected on December 30, 1913.

History

The Vulcan Insurance Company was incorporated as a fire insurance company, under the provisions of section 110 of the Insurance Law of the State of New York, on February 8, 1911, and commenced business on July 24, 1911.

Under its charter it is empowered to make insurance against loss or damage by fire, lightning, windstorms, tornadoes, earthquakes, sprinkler leakage, inland marine and transportation, including insurance upon automobiles; but at date of examination the company had only issued policies against loss or damage by fire, tornado, sprinkler leakage and upon automobiles.

The company is authorized to transact business in the states of California, Illinois, Indiana, Massachusetts, Missouri, New Jersey, New York, Ohio, Pennsylvania and Washington. On December 31, 1913, however, the company withdrew from the State of California.

Reinsurance

On December 30, 1913, the company reinsured, with the approval of this Department, all of its outstanding fire and tornado risks in the Western Assurance Company of Toronto, Canada, and its automobile and sprinkler leakage risks in the Home Insurance Company of New York.

The unearned premium reserve, calculated on a monthly basis, in the amount of \$77,136.49 was used by the company in calculating its estimated liability under these contracts. This amount is subject to change, however, upon completion of the final schedules.

It is the intention of the company to resume writing business upon completion of the reinsurance schedules.

Contract with Kahn & Company

At a meeting of the executive committee of the Vulcan Insurance Company, held on February 6, 1913:

Counsel was authorized and instructed to draft a new contract between the company and Kahn & Company, also a collateral guaranty agreement between the company and Isidor Kahn, in which Isidor Kahn is to be responsible for the acts of Kahn & Company, and which collateral guaranty agreement shall be an original obligation of Isidor Kahn to the Vulcan Insurance Company.

Counsel was also instructed to incorporate in the new draft of the contract such other changes as the Insurance Department desires.

In accordance with these instructions, a collateral guaranty agreement and contract were drawn and signed some time during the month of April, 1913, the date of signing being omitted in both contract and guaranty agreement.

Copies of this guaranty agreement and contract are filed with the papers of this report.

WESTCHESTER FIRE INSURANCE COMPANY

NEW YORK, N. Y.

Examined to ascertain condition, December 31, 1913.

Report dated May 20, 1914.

Examiner: Isaac Fuld.

Ledger Assets

Book value of real estate.....	\$5,876 00
Mortgage loans on real estate, first liens.....	128,110 00
Book value of bonds and stock.....	4,739,288 50
Cash in bank not on interest.....	3,159 85

Cash in bank and trust companies on interest.....	\$305,816 39
Agents' balances representing business written subsequent to September 30, 1913.....	651,712 11
Agents' balances representing business written prior to October 1, 1913	19,933 91
Due for reinsurance on paid losses.....	3,240 05
Total ledger assets.....	\$5,857,136 81

Non-Ledger Assets

Interest due and accrued on mortgage loans.....	1,053 39
Interest accrued on bonds.....	10,132 49
Interest accrued on bank deposits.....	22 63
Dividends on stocks.....	6,500 00
Gross assets	\$5,874,845 32

Deduct Assets Not Admitted

Agents' balances representing business written prior to October 1, 1913.....	\$19,933 91
Book value of bonds and stocks over market value	435,118 50
	<u>455,052 41</u>
Total admitted assets.....	\$5,419,792 91

Liabilities

Unpaid losses less reinsurance.....	\$316,264 90
Unearned premiums:	
On one year risks.....	\$980,262 59
On term risks.....	2,263,089 52
	<u>3,243,352 11</u>
Sundry unpaid bills.....	14,210 37
Taxes accrued (estimated).....	65,000 00
Reinsurance premiums	60,629 91
Contingent commissions	7,625 97
Total liabilities, except capital.....	\$3,707,083 26
Capital	\$300,000 00
Special reserve fund.....	300,000 00
Guarantee surplus fund.....	300,000 00
Surplus	812,709 65
Surplus as regards policyholders.....	1,712,709 65
Total liabilities	\$5,419,792 91

Dividends on Stocks

Dividends due, amounting to \$6,500, represent four quarterly dividends declared by the Syracuse, Binghamton & New York R. R. Co., which the company received, but returned, one check for \$2,000, and three checks for \$1,500 each. These checks were returned because of a suit commenced by this company against the above-named railroad company and the Delaware, Lackawanna & Western R. R. Co. to set aside a lease entered into between the two railroad corporations, whereby the Syracuse, Binghamton & New York R. R. Co. was leased in perpetuity to the Delaware, Lackawanna & Western R. R. Co. Credit was allowed for the amount of such dividends for the reason that the company can obtain them on demand.

Special and Statutory Deposits.

Included in the list of securities owned as set forth in the attached Exhibit "A," the following bonds are deposited by the company with the general fiscal officers of the states and country named below for the protection of its policyholders residing therein:

State or Country	Description	Par value	Market value
Georgia....	State of Georgia, 4½% bonds, 1915	\$10,000 00	\$10,000 00
New Mexico	Territory of New Mexico, bonds, 1933	10,000 00	9,400 00
Virginia ...	City of Richmond, Va., bonds, 1921.	16,000 00	15,520 00
Canada	State of New York, 4% bonds, 1961	100,000 00	97,000 00

To cover the special reserve fund required under section 131 of the Insurance Law, the company has on deposit with the Insurance Department of this State the following securities:

Description	Par value	Market value
City of New York, 3½% bonds, 1940.....	\$150,000	\$130,500
City of New York, 3½% bonds, 1954.....	50,000	42,500
City of New York, 3% bonds, 1950.....	150,000	114,000
Rensselaer & Saratoga R. R. Co. stock, 200 shares	20,000	35,000
Totals	<u>\$370,000</u>	<u>\$322,000</u>

Satisfactory documentary evidence was obtained covering the above-named deposits.

To comply with the statutory requirements, the company has

filed with the proper officers of the following states, surety bonds in the following amounts:

State	Amount
Arkansas	\$20,000
Florida	20,000
Louisiana	20,000
North Carolina	20,000
Oregon	25,000
South Carolina	10,000
Texas	50,000

Amendments to Charter

The charter, which expires on August 11, 1929, was amended in November, 1910, reducing the number of directors from nineteen to fifteen. In April, 1914, the company further amended its charter, increasing the capital from \$300,000 to \$500,000, also empowering the corporation to make insurances against all risks enumerated in section 110 of the Insurance Law, and various other amendments of minor importance. All proceedings in connection therewith were in accordance with the provisions of section 18 of the Stock Corporation Law. The charter as amended has been submitted to the Department for approval.

Underwriters' Agencies

Under the title "Delaware Underwriters Agency," the company has issued since July, 1912, through its Philadelphia office an underwriters policy. The premium income arising from the issuance of such policies amounts to approximately \$700,000.

In conjunction with the City of New York Insurance Company and the Commercial Union Assurance Company of London, England (United States Branch), the company since June, 1911, has issued a combined policy in the State of Florida only, under the title "Atlantic Underwriters Agency." The business transacted through this agency, however, is very small.

Reinsurances Assumed by Company

In the course of its business the company assumed either a portion or all of the outstanding risks of various fire insurance corporations. The following is a list of such reinsurances now

in force, with the date when same became effective and the amount of premiums ceded:

Name of Company	Date	Amount of Premium
Metropolitan Fire Insurance Co. of Illinois..	Aug. 14, 1909..	\$173,064 21
Metropolitan Fire Insurance Co. of Illinois..	Dec. 31, 1910..	55,764 69
Metropolitan Fire Insurance Co. of Illinois..	Jan. 3, 1911..	75,822 09
Hawkeye & Des Moines Fire Ins. Co. of Des Moines, Iowa	May 23, 1911..	86,448 45
Delaware Insurance Co. of Philadelphia, Pa..	July 19, 1912..	407,718 61
Calumet Insurance Co. of Chicago, Ill.....	Dec. 31, 1912..	99,975 92
Phoenix Fire & Marine Insurance Co. of Memphis, Tenn.	Oct. 1, 1913..	10,030 28

Reinsurance Treaty Contracts

The company has contracts of reinsurance in force with the Insurance Company Salamandra of St. Petersburg, Russia, the First Bulgarian Insurance Company of Roustchouk, Bulgaria, and the International Insurance Company of New York. These contracts went into effect on November 1, 1912, September 24, 1912, and July, 1912, respectively. The contract with the Insurance Company Salamandra superseding a contract dated March 29, 1900. The contract with the International Insurance Company covers the business of the Delaware Underwriters Agency only. This contract was by mutual consent transferred as of April 1, 1914, to the Hamburg Assurance Company of Hamburg, Germany. The agreement provides for the cancellation on April 1, 1914, of the existing reinsurance treaty between the International Insurance Company and the Westchester Fire Insurance Company and the assignment thereof to the Hamburg Assurance Company. It also releases the International from all liabilities accruing on and after said date.

The company also has a reinsurance contract in force, effected June 19, 1911, with the Upper Rhine Insurance Company of Mannheim, Germany, a corporation not authorized to transact the business of fire insurance in this State. Under the provisions of this contract the company retains fifty per cent. of twelve months' premiums as a "Guarantee and Reserve Fund." On date of this examination the sum so retained amounted to \$23,705.56. This fund is deposited in bank in trust for the Upper

Rhine and is not included in the assets of the company; therefore, no corresponding liability has been charged.

Annual Statement

The surplus of \$630,235.33 appearing in the company's annual statement filed with the Department for the year ending December 31, 1913, as revised by the audit bureau, has as a result of this examination been increased \$182,474.32. The following statement shows the details of such increase:

<i>Increase in Assets</i>	
Cash	\$11,843 47
Agents' balances	231,287 13
Interest accrued	22 63
Dividends due	6,500 00
Total increase in assets	\$249,653 23
<i>Increase in Liabilities</i>	
Unpaid losses	\$26,691 77
Sundry unpaid bills	4,210 37
Reinsurance premiums	60,629 91
Contingent commissions	7,625 97
	\$99,158 02
<i>Decrease in Liabilities</i>	
Unearned premiums	31,979 11
Net increase in liabilities	67,178 91
Net increase in surplus	\$182,474 32
Surplus appearing in annual statement	630,235 33
Surplus as set forth in this report	<u>\$812,709 65</u>

The differences above set forth are principally due to the fact that the company has for years closed its books for the calendar year in regard to premiums written and canceled, reinsurances written and canceled and agents' balances, on November 30th, but in making up its annual statement the net writings for the month of December of the previous year are included, and credit taken for only two months of agents' balances, viz., October and November.

It is, therefore, respectfully suggested that the company be requested to close its books in the future on December 31st, so that in submitting its annual statement to the Department, such statement will show the condition of the company on December 31st, in respect to all items, and not as at present showing some items as of November 30th and others as of December 31st.

General Remarks

The company operates under the provisions of sections 130, 131 and 132 of the Insurance Law, policies of insurance being issued in accordance with the requirements of the above-named sections.

With the exception of the State of Delaware the company is authorized and transacts business in every state and territory of the United States, Hawaiian Islands and in Canada with a net annual premium income of over \$3,200,000. The company confines itself to the transaction of fire and tornado risks only, the annual premium income on the tornado business amounting to less than \$50,000.

The business of the company is conducted through six departments in addition to the home office, as follows:

Western Department, Chicago, Ill.

Pacific Coast Department, San Francisco, Cal.

Mountain Department, Denver, Col.

Southwestern Department, Dallas, Texas.

Canadian Department, Montreal, Canada.

Delaware Underwriting Agency Department, Philadelphia, Pa.

All essential details of the business transacted by the various Departments are on file in the home office.

WILLIAMSBURGH CITY FIRE INSURANCE COMPANY
AND THE NASSAU AND DUTCHESS FIRE INSUR-
ANCE COMPANY.

NEW YORK, N. Y.

Examined on merger.

Report dated December 6, 1913.

Examiner: Charles H. Gardner.

Whereas, the undersigned, Charles H. Gardner, a disinterested person specially appointed for the purpose by the Superintendent of Insurance, having made an examination of the Williamsburgh City Fire Insurance Company of New York, and The Nassau & Dutchess Fire Insurance Company of New York as of the close of business on date of June 30, 1913, as appears in a report on examination of both corporations annexed hereto; and

Whereas, the said two corporations, being domestic fire insurance corporations, have taken proceedings to merge into one corporation under the name of The Williamsburgh City Fire Insurance Company of New York, and to become vested by such merger with all the assets and assume all the liabilities of the above-named merging corporations:

Now, therefore, I do hereby certify and report under oath that the said examinations show said corporations at the close of business on date of June 30, 1913, to have been in possession of total admitted assets in the sum of four million nine hundred twenty-nine thousand one hundred twenty-three and 73/100 (\$4,929,123.73) dollars, and to have liabilities except capital amounting to three million one hundred twenty-nine thousand forty-three and 18/100 (\$3,129,043.18) dollars, as particularly set forth in a combined financial statement, and as further shown in separate financial statements of both corporations hereto annexed.

I hereby further certify that the stockholders of both companies at meetings duly called for such purpose, in accordance with the provisions of statute, ratified by the required vote the terms of the merger agreement, such agreement in so far as affected the transfer of stock being as follows, viz.:

One hundred dollars (one share) par value Williamsburgh City stock entitled to \$108.84 stock in new company.

One hundred dollars (one share) par value Nassau & Dutchess stock entitled to \$86.74 stock in new company.

I hereby further certify that the above basis of stock interchange is upon a trade basis, and that on the basis of statutory assets and liabilities on June 30, 1913, the respective stock values were as follows:

One hundred dollars (one share) par value Williamsburgh City stock entitled to \$110.44 stock in new company.

One hundred dollars (one share) par value Nassau & Dutchess stock entitled to \$84.30 stock in new company.

I hereby further report that although the said Williamsburgh City Fire Insurance Company and the said Nassau & Dutchess Fire Insurance Company merged on the basis of the financial condition of June 30, 1913, said Williamsburgh City in July, 1913, declared and paid to stockholders a dividend of \$36,000, amounting to 6 per cent. on its capital stock; and said Nassau & Dutchess in July, 1913, declared and paid a dividend of \$18,000, amounting to 4½ per cent. on its capital stock, which transaction resulted in a slight preference to stockholders of the Williamsburgh City Fire Insurance Company. Such slight preference, however, does not appear to be of any material importance taken in connection with other items under which possible liability may accrue, notably the contingent liability of \$33,000 against the Nassau & Dutchess Fire Insurance Company growing out of the California claims litigation. This contingent liability is in turn offset in part by certain contingent charges against the Williamsburgh City Fire Insurance Company assets.

Combined Financial Statement

The following shows a statement of the combined admitted assets and liabilities (actual and contingent) of the Williamsburgh City Fire Insurance Company of New York and The Nassau and Dutchess Fire Insurance Company of New York, to be transferred to and assumed by the merger corporation (The Williamsburgh City Fire Insurance Company) in accordance with

the terms of the merger agreement, and in the manner and form as by law provided.

<i>Assets</i>	
Book value of real estate.....	\$90,000 00
Mortgage loans on real estate, first liens	\$593,775 00
Other than first liens.....	358 86
	594,133 86
Loans secured by pledge of stocks as collateral.	5,000 00
Book value of bonds.....	\$1,597,195 57
and stocks.....	2,135,478 41
	3,733,673 98
Cash in company's office	323 13
Cash in branch office	200 00
Deposits in trust companies and banks.....	243,013 29
Agents' balances on business written subsequent to April 1, 1913.....	460,713 94
Bills receivable taken for fire risks.....	4,941 78
Total ledger assets.....	\$5,131,999 98

<i>Non-Ledger Assets</i>	
Interest due and accrued on mortgages	\$6,441 45
Interest due and accrued on collateral loans..	125 00
Interest due and accrued on bonds	22,297 52
Rents due and accrued.....	36 00
Due from reinsurance companies on paid losses and expenses	49,777 38
Salvage received subsequent to June 30, 1913, on losses paid prior.....	772 02
	79,454 37
Gross assets	\$5,211,454 35

<i>Deduct Assets Not Admitted</i>	
Mortgage loans on real estate not first liens..	\$358 86
Book value of bonds and stocks over market values	277,029 98
Bills receivable taken for fire risks.....	4,941 78
	282,330 62
Total admitted assets.....	\$4,929,123 73

<i>Liabilities</i>	
Gross amount of unpaid losses.....	\$355,816 33
Deduct admitted reinsurance on same.....	53,017 00
Net amount of unpaid losses.....	\$302,799 33

Gross premiums less reinsurance on all one year risks in force, \$1,779,935.61; unearned thereon	\$999,751 22
Gross premiums less reinsurance on all term risks in force, \$3,590,911.28; unearned thereon	1,864,287 85
Total unearned premiums	\$2,754,039 07
Adjustment expenses	7,279 48
Commissions and brokerage.....	1,887 23
Expenses due or accrued.....	2,391 70
Estimated accrued taxes on premiums.....	19,480 00
Accrued taxes on real estate.....	117 87
Reserve for unsettled suits.....	33,334 00
Dividends declared and unpaid.....	7,714 50
Total liabilities except capital.....	\$3,129,043 18
Capital	\$1,000,000 00
Surplus over all liabilities.....	900,080 55
Surplus to policyholders.....	1,800,080 55
Total liabilities	\$4,929,123 73

Williamsburgh City Fire Insurance Company

Assets

Book value of real estate.....	\$75,000 00
Mortgage loans on real estate, first liens.....	538,400 00
Loans secured by pledge of stocks as collateral.....	5,000 00
Book value of bonds.....	\$1,079,691 96
stocks.....	1,516,381 23
	2,596,073 19
Cash in company's office.....	153 41
Cash in branch office	200 00
Deposits in banks and trust companies.....	169,945 00
Agents' balances on business written subsequent to April 1, 1913.....	324,573 41
Bills receivable taken for fire risks.....	4,841 78
Total ledger assets	\$3,714,186 79

Non-Ledger Assets

Interest due and accrued on mortgages.....	\$5,600 13
Interest due and accrued on collateral loans..	125 00
Interest due and accrued on bonds	15,389 03
Total	\$21,114 16

Due from reinsurance companies on paid losses and expenses	\$36,638 72	
Salvage received subsequent to June 30, 1913, on claims paid prior.....	147 43	\$57,900 31
Gross assets	\$3,772,087 10	

Deduct Assets Not Admitted

Book value of bonds and stocks over market value	\$301,363 19	
Bills receivable taken for fire risks.....	4,841 78	306,204 97
Total admitted assets	\$3,465,882 13	

Liabilities

Gross amount of unpaid losses.....	\$258,874 69	
Deduct admitted reinsurance on same.....	41,137 14	
Net amount of unpaid losses.....		\$217,737 55
Gross premiums less reinsurance on all one year risks in force, \$1,228,788.13; unearned..	\$608,531 43	
Gross premiums less reinsurance on all term risks in force, \$2,926,356.31; unearned....	1,525,013 48	
Total unearned premiums.....	2,133,544 91	
Adjustment expenses	5,983 81	
Commissions and brokerage	1,099 96	
Expenses due or accrued.....	1,767 94	
Estimated accrued taxes on premiums.....	14,860 00	
Accrued taxes on real estate.....	117 87	
Dividends declared and unpaid.....	826 00	
Total liabilities, except capital.....	\$2,375,938 04	
Capital	\$600,000 00	
Surplus over all liabilities.....	489,944 09	
Surplus to policyholders.....	1,089,944 09	
Total liabilities	\$3,465,882 13	

The company's financial statement submitted to the Department on June 30, 1913, reported a surplus of \$500,807.52. In the foregoing financial statement the surplus is reported in the sum of \$489,744.09. The difference, amounting to \$10,863.43, is accounted for as follows:

Changes in Company's Surplus

	<i>Increase</i>	<i>Decrease</i>
Cash in bank.....	\$826 10	
Bills receivable		\$4,841 78
Interest accrued	16 17	
Due from reinsurance companies.....	36,638 72	
Salvage received subsequent to 6/30/13.....	147 43	
Market value under book.....		5,353 12
Losses		32,170 58
Unearned premiums	3,529 21	
Miscellaneous and loss adjustment expenses..		8,829 58
Dividends declared and unpaid.....		826 00
	\$41,157 63	\$52,021 06
		41,157 63
Net decrease		\$10,863 43

The reduction in the company's surplus as shown in the above exhibit does not appear to call for a particular explanation of each item set forth therein, other than the item "Due from insurance companies," amounting to \$36,638.72, and the item "Losses" of \$32,170.58. The company deducted the amount due from insurance companies from its outstanding loss reserve, while in this report said amount has been considered as an asset. The outstanding loss account was therefore increased in such amount, and in addition other changes were made in this account, due to the fact that actual figures were used in all cases where settlements and final adjustments were made subsequent to the date of this examination.

The Nassau and Dutchess Fire Insurance Company

<i>Assets</i>	
Book value of real estate.....	\$15,000 00
Mortgage loans on real estate, first liens, \$55- 375.00; other than first liens, \$358.86.....	55,733 86
Book value of bonds..... \$517,503 61	
and stocks	620,097 18
	1,137,600 79
Cash in company's office.....	169 72
Deposits in trust companies and banks.....	73,068 29
Agents' balances on business written subsequent to April 1, 1913.....	136,140 53
Bills receivable taken for fire risks.....	100 00
Total ledger assets.....	\$1,417,813 19

Non-Ledger Assets

Interest due and accrued on mortgages.....	\$841 32	
Interest due and accrued on bonds.....	6,908 49	
Rents due and accrued.....	36 00	
Total	\$7,785 81	
Market value of bonds and stocks over book value	24,333 21	
Due from reinsurance companies on paid losses, \$12,969.59, and expenses, \$169.07.....	13,138 66	
Salvage received subsequent to June 30, 1913 on losses paid prior.....	629 59	
		\$45,887 27
Gross assets		\$1,463,700 46

Deduct Assets Not Admitted

Mortgage loans on real estate not first lien....	\$358 86	
Bills receivable taken for fire risks.....	100 00	
		458 86
Total admitted assets		\$1,463,241 60

Liabilities

Gross amount unpaid losses.....	\$96,941 64	
Deduct admitted reinsurance on same.....	11,879 86	
Net amount of unpaid losses.....		\$85,061 78
Gross premiums, less reinsurance on all one year risks in force, \$551,147.48; unearned...	\$281,219 79	
Gross premiums, less reinsurance on all term risks in force, \$664,554.97; unearned.....	339,274 37	
Total unearned premiums		620,494 16
Adjustment expenses		1,295 67
Commissions and brokerage due.....		787 27
Expenses due or accrued.....		623 76
Estimated accrued taxes on premiums.....		4,620 00
Reserve or contingent liability.....		33,334 00
Dividends declared and unpaid.....		6,888 50
Total liabilities except capital		\$753,105 14
Capital	\$400,000 00	
Surplus over all liabilities.....	310,136 46	
Surplus to policyholders.....		710,136 46
Total liabilities		\$1,463,241 60

The company's financial statement submitted to the Department on June 30, 1913, reported a surplus of \$358,695.16. In the foregoing financial statement the surplus is reported in the sum of \$310,136.46. The difference, amounting to \$48,558.70, is accounted for as follows:

Changes in Company's Surplus

	<i>Increase</i>	<i>Decrease</i>
Cash in bank and office.....	\$7,058 22	
Bills receivable not admitted.....		\$100 00
Accrued interest and rents.....		5 22
Market value over book values.....		14,107 00
Due from reinsurance companies.....	13,138 66	
Salvage received subsequent to June 30, 1913..	629 59	
Second mortgage loans on real estate.....		358 86
Loss liability		7,288 58
Unearned liability		6,576 33
Miscellaneous accrued expenses.....		726 70
Reserve for contingent liability.....		33,334 00
Dividends declared and unpaid.....		6,888 50
	\$20,826 47	\$69,385 17
		20,826 47
Net decrease		\$48,558 70

The following information is submitted regarding the items entering into the above exhibit, which appear to call for further explanation.

Cash and Dividends Declared and Unpaid

"Cash deposited in banks" has been increased by \$6,888.50 representing dividends declared and unpaid, and by \$169.72 representing a branch office balance. The company considers declared dividends as paid deducting the amount of same from the cash balance and carrying said amount to its outstanding check account. Both items have been treated separately in this report, the company's cash assets being increased, and a liability charged for unpaid dividends. The branch office balance of \$169.72 was allowed, as said amount was not included in the balances due from agents.

The amount due from insurance companies, \$13,138.66, was deducted by the company from its outstanding loss reserve, while

in this report a separate asset item has been entered for the same and the unpaid losses increased in a like amount. Other changes were made in this amount due to the fact that actual figures were taken in all cases where settlements were effected subsequent to the date of this examination. As a result of the above changes the loss liability was increased in the sum of \$7,288.56.

Reserve for Contingent Liability

An explanation of the above item is contained in a Department report dated October 18, 1912, on the merger of the Nassau Fire Insurance Company of New York and the Dutchess Fire Insurance Company of Poughkeepsie, N. Y. The following is an extract from said report referring thereto:

"There are now pending several suits against this company brought by the trustees, stockholders and creditors of the Dutchess Insurance Company, a corporation now being liquidated by its trustees in conformity with the provisions of section 35b of the General Corporation Law. These suits involve questions of reinsurance of the business of the Dutchess Insurance Company and the transfer of securities and other assets by that corporation to the Dutchess Fire Insurance Company during 1906. The facts regarding such reinsurance and the transfer of securities and other assets are fully related in a previous report on an examination of this company under date of June 9th, 1910. The reserve above provided is intended to cover the contingent liability alleged by the plaintiffs in the several suits now pending to be due from the Dutchess Fire Insurance Company and to be maintained until the final judicial determination of the questions raised in the litigation herein referred to."

Marine Insurance Company

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ALLIANZ INSURANCE COMPANY LIMITED—UNITED STATES BRANCH

BERLIN, GERMANY

Examined to ascertain condition June 30, 1913.

Report dated August 18, 1913.

Examiner: Charles E. Woodman.

<i>Ledger Assets</i>	
Book value of bonds.....	\$472,451 25
Deposits in trust company on interest.....	28,777 98
Agents' balances on business written subsequent to April 1, 1913.....	77,034 93
Agents' balances on business written prior to April 1, 1913.....	12,414 85
Uncollected premiums on business written sub- sequent to April 1, 1913.....	236 78
Total ledger assets	\$588,915 79
<i>Non-Ledger Assets</i>	
Interest due and accrued on bonds.....	\$8,441 66
Reinsurance due on paid losses.....	7,188 35
Salvage due from reinsuring companies.....	569 56
	<u>.14,199 57</u>
Gross assets	\$603,115 36
<i>Deduct Assets Not Admitted</i>	
Agents' balances on business written prior to April 1, 1913.....	\$12,414 85
Book value of bonds over market value.....	39,451 25
	<u>51,866 10</u>
Total admitted assets	\$551,249 26
<i>Liabilities</i>	
Gross losses adjusted and unpaid.....	\$170,333 14
Deduct reinsurance due or accrued in com- panies authorized in New York.....	8,043 00
Net amount of unpaid losses and claims.....	\$162,290 14
Gross premiums (less reinsurance) on all unex- pired time risks, \$109,828.54; unearned 50%.	\$54,914 27
Gross premiums (less reinsurance) on all un- expired trip risks, \$5,053.62; unearned 100%.	5,053 62
Total unearned premiums as computed above.....	59,967 89

Commissions		\$285 72
Salaries, rents, expenses, etc., due or accrued.....		10,498 00
Estimated amount of unpaid taxes.....		6,427 75
Return premiums, \$85.11; reinsurance premiums, \$22,285.52..		22,370 63
Total amount of liabilities except capital.....		\$261,840 13
Deposit capital	\$200,000 00	
Surplus over all liabilities	89,409 13	
Surplus as regards policyholders.....		289,409 13
Total liabilities		\$551,249 26

The company was authorized to transact the business of marine insurance in this State and a certificate issued on April 3, 1911. Mr. H. K. Fowler, of 82 Beaver street, New York City, was appointed United States Manager. Mr. Fowler is also manager of the United States branch of the Thames and Mersey Marine Insurance Company, Limited, of Liverpool, England, and said companies occupy the same offices and jointly employ the clerical force.

An analysis of the accounts showed that the Allianz Insurance Company has been submitting to the Department its statement on a revenue, instead of a cash basis, and a readjustment, while not affecting the surplus of the United States branch, has caused many changes in the various items of income, disbursement, assets and liabilities.

The operating expenses of the office are apportioned between the companies on the basis of the premium incomes and the distribution made at the end of each quarter. All items of income and disbursement were checked with the ledger.

Assets

The company, in addition to the statutory deposit of \$200,000 par value in bonds with the Insurance Department of this State, has bonds of the face value of \$120,000 on deposit with the Treasurer and Receiver General of the Commonwealth of Massachusetts, and a certificate of such deposit was secured. Other bonds having a face value of \$180,000 are on deposit with the Union Trust Company and registered in the names of James

Speyer, Frank A. Vanderlip and Edwin G. Merrill, trustees of the Allianz Insurance Company, Limited, of Berlin, Germany, acting under a trustee agreement filed with the Insurance Commissioner of the Commonwealth of Massachusetts. The book value of the bonds was found to be \$39,451.25 in excess of the market value, and this amount was deducted under assets not admitted.

Liabilities

The loss books of the company were examined and all available information relative to the various losses considered in arriving at proper estimates. An examination of the loss account showed that the company received no notice of many losses until proofs of loss were filed. To provide for this contingency, \$25,000 (which, from previous records, would appear a conservative estimate) was added to the outstanding loss liability.

TOKIO MARINE INSURANCE COMPANY, LIMITED — UNITED STATES BRANCH

TOKIO, JAPAN

Examined to ascertain condition December 31, 1913.

Report dated June 3, 1914.

Examiner: C. E. Woodman.

History

The company was authorized to transact the business of marine insurance in this State and a certificate issued on November 24, 1911. Mr. Herbert Appleton and Mr. Douglas F. Cox, doing business under the firm name of Appleton & Cox, were appointed United States Managers. The company also writes insurance in the states of Illinois, Louisiana, Maryland, Pennsylvania and Texas. A large proportion of the premium income is derived as reinsurance of risks written by other companies operating under the management of Higgins & Cox.

The following is a statement of the assets and liabilities on December 31, 1913:

<i>Assets</i>	
Book value of bonds.....	\$250,000 00
Deposits in bank on interest.....	66,085 14
Uncollected premiums on business written subsequent to October 1, 1913.....	66,723 36
Uncollected premiums on business written prior to October 1, 1913.....	2,500 97
Total ledger assets.....	\$385,309 47
<i>Non-Ledger Assets</i>	
Accrued interest on bonds.....	\$1,666 66
Reinsurance due on paid losses.....	414 67
Salvage received on losses paid.....	340 75
	2,422 08
Gross assets	\$387,731 55
<i>Deduct Assets Not Admitted</i>	
Uncollected premiums on business written prior to October 1, 1913.....	\$2,500 97
Book value of bonds over market value.....	10,000 00
	12,500 97
Total admitted assets.....	\$375,230 58
<i>Liabilities</i>	
Gross amount of unpaid losses.....	\$51,308 02
Deduct reinsurance on same in companies admitted in New York.....	21,264 01
Net amount of unpaid losses.....	\$30,044 61
Gross premiums less reinsurance on time risks in force, \$42,296.35; unearned pro rata....	\$21,668 09
Gross premiums less reinsurance on trip, risks in force, \$4,221.16; unearned at 100%.....	4,221 16
Total unearned premiums.....	25,889 25
Salaries and expenses due or accrued.....	1,445 90
Estimated amount of unpaid taxes.....	4,478 15
Commissions due or accrued.....	1,584 62
Reinsurance due	23,938 03
Return premiums due.....	1,570 85
Contingent commission	2,207 56
Total amount of liabilities except deposit capital.....	\$91,158 97

Deposit capital	\$200,000 00	
Surplus	84,071 61	
Surplus as regards policyholders.....		\$284,071 61
Total liabilities		\$375,230 58

Liabilities

The company reported unpaid losses and claims on December 31, 1913, of \$25,593.33. An examination of the claim papers and the use of subsequent information indicate the net liability on these cases to be \$23,551.78. Since the first of the year the company has received notice of additional losses occurring prior to December 31st and these claims amount to \$6,492.83. Thus, while there has been a saving on the losses estimated, the additional claims reported cause an increase of \$4,451.28 resulting in a liability for unpaid losses of \$30,044.61.

The total liabilities, except deposit capital, amount to \$91,158.97, leaving a surplus to policyholders, inclusive of the deposit capital of \$284,071.61.

Co-operative Fire Insurance Corporations²

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Co-operative Fire Insurance Corporations²

[551]

ANDES MUTUAL FIRE INSURANCE COMPANY

ANDES, N. Y.

Examination on condition as of June 25, 1914.

Report dated June 30, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in June, 1882. Its certificate of incorporation sets forth its intention to transact business in the town of Andes in Delaware county, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 25, 1914, were as follows:

<i>Assets</i>		
Cash in bank	\$277 86	
Total assets		\$277 86

Liabilities

None

Method of Business

Policies are issued by the secretary for the term of three years. The company insures farm property, schoolhouses and village dwellings. No classification of risks is made, all policyholders paying the same rate of assessment.

It is the duty of the directors to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the directors receive \$1 for each application taken.

Large losses are adjusted by the executive committee.

Money is paid out by the treasurer on the written order of the president and the secretary.

The secretary states that the largest amount insured in any one risk is \$6,000.

The accounts of the company are audited annually by the executive committee and are also read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee, and all applications.

Assessments

Assessments are usually levied annually in the fall. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to the secretary. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1913, there were 429 policies and \$680,445 of insurance in force.

Advance Payment

The company charges in advance a percentage of \$1 on the first \$1,000 of insurance and ten cents on each \$100 thereafter.

Bonds

The secretary and treasurer have each given bond in the sum of \$1,000 with one individual as surety.

ARGYLE CO-OPERATIVE FIRE INSURANCE COMPANY OF THE TOWN OF ARGYLE

ARGYLE, N. Y.

Examination on condition as of June 17, 1914.

Report dated June 19, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in September, 1879. Its certificate of incorporation sets forth its

intention to transact business in the town of Argyle in Washington county, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 17, 1914, were as follows:

<i>Assets</i>		
Cash in bank	\$24 35	
Total assets		\$24 35

Liabilities

None

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses and detached village dwellings. Property is divided into two classes according to the material in the roof. The first class is assessed seven-eighths as much as the second class.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the secretary receives \$1.50 for each application taken.

Large losses are usually adjusted by the board of directors.

The secretary states that the largest amount insured in any one risk is \$5,900.

The accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small

surplus. Assessments are paid to the treasurer. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 376 policies and \$750,222 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$2.

Bonds

No officer has given bonds.

AUBURN MUTUAL FIRE INSURANCE COMPANY OF
CAYUGA COUNTY

AUBURN, N. Y.

Examination on condition as of October 22, 1913.

Report dated October 29, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in January, 1907. Its certificate of incorporation sets forth its intention to transact business in the county of Cayuga.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment corporation in the territory named above.

On June 1, 1911, the company filed a certificate of intention to extend its territory into the counties of Ontario, Onondaga, Wayne and Monroe.

The only previous examination of the company was made by this Department in September, 1909.

The assets and liabilities of the company on October 22, 1913, were as follows:

Assets

Cash in office	\$20 93	
Cash in bank not on interest.....	8 88	
Cash in bank and interest thereon.....	602 54	
Total assets		632 35

Liabilities

None

Method of Business

Policies are issued by the secretary for the terms of one and three years. The company insures village dwellings, both water protected and unprotected and summer cottages. No classification of property is made, all persons insured paying the same rate of premium.

The company employs agents who take applications, inspect risks and collect premiums. For their services the agents receive \$1.40 for \$1,000 of insurance.

Losses of less than \$200 are adjusted by the executive committee and above \$200 by the board of directors.

Money is paid out by check by the treasurer.

The secretary states that the largest amount insured in any one risk is \$2,000.

The accounts of the company are audited by a committee appointed for that purpose at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Insurance in Force

On December 21, 1912, there were 255 policies and \$231,726 of insurance in force.

Advance Payment

The company charges in advance a survey fee of sixty cents per \$1,000 of insurance, and a percentage of thirty cents per \$100 of insurance for three years. In case of summer cottages the company fixes a special survey fee not in excess of \$2. The Board

of Directors passed a resolution fixing the rate of advance payment on barns used for automobile storage at twenty-five cents per \$100 of insurance for one year, and fifty cents per \$100 of insurance for three years. The secretary states, however, that no such policies have been issued.

Bonds

The secretary and treasurer have each given a surety bond in the sum of \$500.

THE BALLSTON CO-OPERATIVE INSURANCE ASSOCIATION

BALLSTON LAKE, N. Y.

Examination on condition as of November 12, 1913.

Report dated November 18, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in February, 1882. Its certificate of incorporation sets forth its intention to transact business in the town of Ballston in Saratoga county and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a co-operative fire insurance corporation on the assessment plan, in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on November 12, 1913, were as follows:

<i>Assets</i>		
Cash in bank	\$149 80	
Total assets		\$149 80
<i>Liabilities</i>		
Due officers	\$32 00	
Total liabilities		32 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property only. Property is divided into classes according to exposure. The first class is assessed at a flat rate; the second at 1 1/10 times the first; the third at 1 2/10 times the first, and the fourth at 1 3/10 times the first.

It is the duty of the directors to take applications, inspect risks, assist in collecting assessments. For taking applications the directors receive fifty cents for each application taken.

Losses are adjusted by the president and secretary.

Money is paid out by the treasurer by check.

The secretary states that the largest amount insured in any one risk is \$3,500.

The accounts of the company are read at the annual meetings.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors, and all applications.

Assessments

Assessments are usually levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained, and a small amount is added to offset any shrinkage in collection. Assessments are paid to the treasurer or to a director. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. A penalty of 5 per cent. for delinquency in payment of assessments is exacted after 60 days.

Insurance in Force

On December 31, 1912, there were 176 policies and \$379,117 of insurance in force.

Advance Payment

The company charges in advance a fee of \$2, but no percentage.

Bonds

No officer of the company has given bonds.

BARON STEUBEN CO-OPERATIVE FIRE INSURANCE
COMPANY

ITHACA, N. Y.

*Examination on condition as of July 1, 1913.**Report dated July 9, 1913.**Examiner: J. H. Middleton.*

The above-mentioned company is a co-operative fire insurance corporation transacting business on the advance premium plan, a certificate so to act having been duly issued by this Department. The territory in which it is authorized to transact business comprises all the counties in the State outside those counties within the limits of the city of New York.

Prior to July 1, 1910, the company transacted business on both the advance premium and the assessment plans. At the issuance of three-year policies it was the custom to collect in advance an entrance fee amounting to 20 per cent. of the estimated cost of the insurance for the three years and a guarantee fee amounting to one-third of the remaining 80 per cent. To raise funds to meet the losses and expenses of the second and third years of the policy it was the custom of the company to assess the policyholder at the first and second anniversaries of the date of issue. If the amount of losses and expenses was greater than was at first estimated the rate of the assessment was increased, and if the amount of losses and expenses was less than estimated, the rate of assessment was decreased. Under such method of business the company did not aim to collect a surplus or a reserve, any fluctuation in the expenditures being met by a corresponding adjustment of the rate of assessment.

The passage of chapter 328 of the Laws of 1910, which became effective July 1, 1910, obliged the company to discontinue transacting business on both the advance premium and assessment plans; and elect to continue either as an assessment company or an advance premium company. The latter method was chosen and the statute then required the company to accumulate and maintain a reserve equal to 80 per cent. of the unearned premium

on all policies in force. This requirement was later modified by an amendment to section 267 of the Insurance Law, which allowed advance premium companies to accumulate such reserve at the rate of 15 per centum per year, the first increment being required to be accumulated by December 31, 1913.

Owing to the fact that under the method of business previously pursued by the company, no effort was made to collect or maintain any surplus, this requirement of the statute was particularly difficult to meet and the present condition of the company is due in part at least to the fact that it had no surplus to meet unusual losses when its policy of making annual assessments was discontinued.

The financial condition of the company on July 1, 1913, I find to be as follows:

<i>Assets</i>	
Cash in bank and in office.....	\$190 00
Agents' balances less than three months due..	4,552 86
Agents' balances more than three months due..	2,720 69
Total assets	\$7,463 55
<i>Deduct Assets Not Admitted</i>	
Agents' balances more than three months due.....	2,720 69
Total admitted assets	\$4,742 86
<i>Liabilities</i>	
Losses:	
Adjusted but not due.....	\$11,032 20
Adjusted and due.....	11,226 59
Adjusted (estimated)	260 00
Contested (estimated)	5,787 00
Total	\$28,305 79
Unpaid salaries	2,095 00
Interest due	500 00
Inspection of risks.....	1,000 00
Clerk hire	788 75
Unearned premiums	29,688 70
Total liabilities	\$62,378 24
Excess of liabilities over assets	\$57,635 38

Losses

For several years the fire losses sustained have been unusually severe. In the year 1911 losses were incurred amounting to \$51,990.41 whereas the company's income from policyholders was \$60,070.09. In 1912 fire losses amounting to \$35,993.16 were incurred and the income from policyholders was \$44,700.83. In 1913 the losses during the first six months amount approximately to \$25,000.

From the financial statement it appears that there are losses unpaid amounting to \$28,305.79. Of this amount \$5,787 is contested by the company, \$260 is unadjusted, \$11,033.84 has been paid to the assured and by the assured assigned to the payer, who is the secretary of the company. The balance of the unpaid losses, which amount to \$11,224.95, are adjusted and \$1,037.50 are past due.

Assessment

From the foregoing it appears necessary that the company immediately levy an assessment at least sufficient to meet its current obligations. It is the recommendation of your examiner, moreover, that inasmuch as the company is handicapped by the change in its method of business, as pointed out above, and that a high ratio of fire losses has been experienced during recent years, it be required to raise by assessment a sum sufficient to meet the entire unearned premium reserve. There appears little likelihood that the company will be able to accumulate its entire unearned premium reserve within the time required by law and, therefore, by levying an assessment sufficient not only to meet its current obligations, but to raise the entire unearned premium reserve as well, the expense of assessing annually would be avoided and the company would be immediately placed in a sound financial condition.

THE BOVINA CO-OPERATIVE FIRE INSURANCE COMPANY

BOVINA CENTER, N. Y.

Examination on condition as of June 24, 1914.

Report dated July 2, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized in 1879. Its articles of association set forth its intention to transact business in the town of Bovina in Delaware county, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 24, 1914, were as follows:

<i>Assets</i>	
Cash in bank.....	\$280 46
Total assets	\$280 46
<i>Liabilities</i>	
	None

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, churches, schoolhouses, village dwellings, and mercantile and hotel risks. All property is divided into three classes. The third class is assessed at a flat rate, the second class at twice the third and the first at three times the third. The third class includes farms and detached village dwellings; the second includes all dwellings within thirty-three feet of a building owned by a person other than the assured. The first includes churches, stores, creameries, blacksmith shops, grist mills and factories.

The company has insured considerable village property and has

a number of policies in excess of \$7,000. I would recommend that the directors be called together and that they go over all risks carefully and cancel all or a portion of any policies in which it appears that there is more than \$7,000 which may possibly be subject to a single fire. Especial care should be taken in the case of village property and it might possibly be well if the company adopted some limitation of risks in villages.

It is the duty of the directors to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the directors receive fifty cents for each application taken.

Losses are usually adjusted by one of the directors.

Money is paid out by the treasurer by cheque.

The accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and all applications.

Assessments

Assessments are usually levied annually in the fall, although in case of large losses the assessments are levied directly after the fire. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to a director appointed to receive them. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 237 policies and \$600,179 of insurance in force.

Advance Payment

The company charges in advance a percentage of \$1 on the first \$1,000 of insurance and \$.05 on each \$100 of insurance thereafter.

Bonds

The secretary and treasurer have each given bond, with one individual as surety, to repay all moneys coming into their hands.

CAMBRIDGE CO-OPERATIVE FIRE INSURANCE
COMPANY

CAMBRIDGE, N. Y.

Examination on condition as of June 16, 1914.

Report dated June 26, 1914.

Examiner: J. H. Middleton.

This company was organized and incorporated in December, 1910. It continued the business of an older company, operating in the same territory, which appears to have been formed about 1857. Its certificate of incorporation sets forth its intention to transact business in the town of Cambridge in Washington county.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

On April 8, 1914, the company filed a certificate which set forth that its territory would be extended to include also the towns of Easton, Jackson, Greenwich and White Creek, all in Washington county.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 16, 1914, were as follows:

<i>Assets</i>		
Cash in treasury	\$36 13	
Total assets		\$36 13
<i>Liabilities</i>		
Borrowed money	\$100 00	
Total liabilities		100 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses and detached village dwellings. No classification of risks is made, all policyholders being assessed at the same rate.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking applications the secretary receives \$1 for each application taken.

Large losses are adjusted by the board of directors, but losses of less than \$100 are adjusted by the secretary.

Money is paid out by the treasurer in cash.

The secretary states that the largest amount insured in any one risk is not in excess of \$7,000.

The accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to the secretary. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 410 policies and \$860,398 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$1.

Bonds

No officer of the company is bonded.

THE CAROLINE FARMERS FIRE INSURANCE COMPANY

SLATERVILLE SPRINGS, N. Y.

Examination on condition as of October 24, 1913.

Report dated October 27, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated May 20, 1886. Its certificate of incorporation sets forth its intention to transact business in the town of Caroline in Tompkins county and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 24, 1913, were as follows:

<i>Assets</i>		
Cash in office	\$42 91	
Cash in bank.....	253 92	
Cash in hands of directors.....	198 04	
Total assets		\$494 87
<i>Liabilities</i>		
Unpaid losses	\$500 00	
Due officers and directors for services (estimated)	150 00	
Total liabilities		650 00
Excess of liabilities over assets.....		\$155 13

Method of Business

Policies are issued by the secretary usually for the term of five years. The company insures farm property, school-houses and village dwellings. Property is divided into three classes, as set forth in section I of article VII of the by-laws, according to its distance from other property.

It is the duty of the directors to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking applications the directors receive \$1 for each application taken.

Losses under \$100 are adjusted by the executive committee and over \$100 by the board of directors. Money is paid out by check by the treasurer on orders signed by the president and secretary.

The secretary states that the largest amount insured in any one risk is \$5,000.

The accounts of the company are read at each annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to the treasurer or to any director of the company. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1912, there were 442 policies and \$578,710 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$1, and a percentage of twenty cents per \$100 of insurance for five years on property in the first class; twenty-five cents per \$100 of insurance for five years on property in the second class and thirty cents per \$100 of insurance for three years on property in the third class.

Bonds

The treasurer has given a bond of \$2,000 with individuals as sureties.

THE CATSKILL MOUNTAIN FIRE INSURANCE COMPANY OF GREENE COUNTY

GREENVILLE, N. Y.

Examination on condition as of May 1, 1914.

Report dated June 1, 1914.

Examiner: J. H. Middleton.

This company appears to have been incorporated in December, 1902. Its certificate of incorporation sets forth its intention to transact business in Greene county. Later, however, its territory was extended to include the counties of Columbia, Dutchess, Ulster, Orange and Westchester.

On December 27, 1910, the Department issued to it a certificate authorizing it to transact business in the counties named above.

On September 16, 1911, its territory was extended into twelve additional counties, and on September 14, 1912, it extended into all counties of the State outside those comprised within the corporate limits of the city of New York.

The only previous examination of the company was made by an examiner of this Department in November, 1909.

The assets and liabilities of the company on May 1, 1914, were as follows:

Ledger Assets

Book value of bonds.....	\$10,634 20
Cash in bank at interest.....	4,000 00
Cash in bank not at interest.....	1,012 74
Agents' balances on policies written after February 1, 1914..	2,560 21
Agents' balances on policies written before February 1, 1914..	881 48
 Total ledger assets.....	 <u>\$19,088 63</u>

Non-Ledger Assets

Accrued interest on cash in bank.....	\$50 01
Accrued interest on bonds.....	85 83
 Total non-ledger assets.....	 <u>135 84</u>
 Gross assets	 <u>\$19,224 47</u>

Deduct Assets Not Admitted

Agents' balances on policies written before February 1, 1914.....	\$881 48
Book value of bonds over market value.....	204 20
Total	\$1,085 68
Net assets	\$18,138 79
<i>Liabilities</i>	
Unpaid losses	\$127 20
Unearned premium reserve	6,470 48
Total liabilities	\$6,597 68

Assets

The assets of the company include the sum of \$10,634.20 invested in bonds. Attached to this report and referred to as Exhibit A is a list of bonds owned, together with the book, par and market values thereof. This company has deposited in bank at interest the sum of \$4,000. Attached to this report and referred to as Exhibit B is a list of banks in which such sums are deposited, together with the sums deposited in each. Other assets of the company are cash in bank not at interest amounting to \$1,012.74, and sums due from agents amounting to \$3,441.69. Of the latter amount \$881.48 is represented by policies written more than three months prior to the date of examination, and, therefore, has not been allowed as an asset.

Records

In accordance with the requirements of the by-laws the secretary keeps a policy-register and a record of the annual meetings of the members and of the board of directors, and all applications.

Conflagration Hazard

No record, as such, is kept showing the amount of insurance in force in cities and villages. I was unable, therefore, to verify the statement of the secretary that none of the conflagration limitations of section 267 of the Insurance Law had been exceeded. In explanation of the absence of such records the secretary states that the applications filed by the company's agents are so arranged as to bring out the information necessary to enable the company to comply with this provision of the law.

Payment of Commissions to Officers

The secretary of the company conducts an agency for it in Greene county. In order to comply with that provision of section 267 of the Insurance Law which forbids the payment of commissions to persons who pass on the character of risks, certain directors of the company have been delegated to pass on applications submitted by the secretary.

Loan to Director

On April 19, 1913, the company loaned the sum of \$800 to one of its directors. This sum was repaid with \$8 interest on July 13, 1913. In answer to question 22 on page 7 of its annual statement for the year ending December 31, 1913, which question reads, "Has any such officer or director been pecuniarily interested in or the beneficiary of any investment or loan made or granted by the corporation during the year 1913?" the company answered "no."

Expense of Management

In the year 1913 the ratio of expense of management to premium income, after deducting from such expense all expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith, was 31.6 per cent.

Bonds

The treasurer has given a bond with three personal sureties in the sum of \$10,000.

Insurance in Force

On December 31, 1913, there were 1,820 policies and \$1,519,065.44 of insurance in force.

THE CATSKILL MUTUAL FIRE INSURANCE
COMPANY OF GREENE COUNTY

CATSKILL, N. Y.

Examination on condition as of September 25, 1913.

Report dated October 16, 1913.

Examiner: J. H. Middleton.

This company is a co-operative fire insurance company and was organized in December, 1909. Its certificate of incorporation sets forth its intention to transact business in the town of Catskill in Greene county. On February 5, 1910, its territory was extended to include the whole of Greene county. On December 27, 1910, a certificate was issued authorizing the company to continue business as an advance premium corporation in the county named above. On March 4, 1911, its territory was extended to include also the counties of Albany, Columbia, Dutchess and Orange.

On September 25, 1913, I find the assets and liabilities of the corporation to have been as follows:

<i>Assets</i>	
Cash in office	\$124 83
Cash in bank, not at interest.....	673 42
Agents' balances less than three months due...	603 49
Agents' balances over three months due.....	386 15
Total assets	\$1,787 89
<i>Deduct Assets Not Admitted</i>	
Agents' balances over three months due.....	386 15
Total admitted assets.....	\$1,401 74
<i>Liabilities</i>	
Unpaid losses:	
Unadjusted	\$8 00
Resisted	375 00
Total	\$383 00
Unearned premiums	2,044 35
Total liabilities	\$2,427 35
Excess of liabilities over assets.....	\$1,025 61

Conflagration Hazard

The company keeps no record by which I was able to verify its statement that it had not exceeded the conflagration limitations in section 267 of the Insurance Law. The secretary states, however, that he is personally familiar with all sections in which it is possible that such limitations might possibly have been exceeded and knows of his own knowledge that such limitations have not been exceeded in the village of Catskill and that to the best of his knowledge and belief have not been exceeded in any other city or village.

Method of Business

The company does business on the advance premium plan. Risks are secured through local agents who are compensated at a fixed percentage of the premiums. The rates of premiums charged are based on the "board rates" and are estimated by the secretary to be approximately 80 per cent. of such "board rates." The company has never made an assessment.

Bonds

At the date of examination no officer of the company was bonded. The secretary has since notified the Department, however, that he has given bond in the sum of \$5,000, with individuals as sureties.

Secretary's Salary

In its annual statement for the year ending December 31, 1912, the company does not carry any item on account of liabilities for officers' salaries. It appeared, however, that on January 14, 1913, the board of directors voted a salary to the secretary of \$250, and previous to that time it was the custom of the company to pay the secretary an annual salary of \$150. In explanation the secretary states that it was his understanding that the company had no liability on account of salaries until the board of directors had actually voted a salary. He states further that the omission of this item was made in good faith and with no intention to deceive the department or make a false statement.

Expense of Management

The ratio of expense of management to premium income, after deducting from such expense all expenses incurred in the in-

spection of risks and the adjustment of losses and legal expenses connected therewith as stated in the annual statement, is 33.8 per cent. By charging the \$250 paid for the secretary's services for the year 1912 to that year, however, it appears that the company has exceeded the legal expense limitation of 35 per cent.

CAYUGA COUNTY FARMERS' INSURANCE COMPANY

AUBURN, N. Y.

Examination on condition as of October 22, 1913.

Report dated October 29, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in 1882. Its certificate of incorporation sets forth its intention to transact business in the county of Cayuga.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a co-operative fire insurance corporation, transacting business on the assessment plan, in the territory named above. On July 17, 1911, the company filed in the department a certificate setting forth its intention to extend its business into the counties of Seneca, Wayne, Oswego and Onondaga.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 22, 1913, were as follows:

<i>Assets</i>		
Cash in bank	\$43 18	
Total assets		\$43 18
<i>Liabilities</i>		
Borrowed money	\$7,300 00	
Unpaid losses	212 00	
Total liabilities		7,512 00
Excess of liabilities over assets		\$7,468 82

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, and a few detached dwellings. All property is assessed at the same rate, no classification being made.

It is the duty of the directors to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking applications the directors are paid \$1 for each application taken.

Losses of less than \$50 are adjusted by the local director, but in case of loss of over \$50 the loss committee acts.

Money is paid out by check by the treasurer on an order signed by the president and secretary.

The secretary states that there is not over \$7,000 insured in any one risk.

The accounts of the company are read at the annual meeting of the Board of Directors.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee, and all applications.

Assessments

Assessments are usually levied annually on October 15th. The amount of the assessment is based on the amount of losses which have been sustained with a small amount added to allow for possible shrinkage in collection. Assessments are paid to the directors. New members are assessed for only their pro rata share of losses which have been sustained during their period of membership. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1912, there were 2,596 policies and \$1 341,205 of insurance in force.

Advance Payment

The company charges in advance a percentage of six cents per \$100 of insurance for one year; eight cents for two years; ten cents for three years and twelve cents for four and five years but charges no policy or survey fee.

Bonds

The treasurer has given a surety company bond of \$3,000 and the secretary has given a similar bond for \$1,000.

CO-OPERATIVE FIRE INSURANCE COMPANY OF
SULLIVAN AND ADJOINING COUNTIES

CENTERVILLE STATION, N. Y.

Examination on condition as of June 6, 1913.

Report dated June 9, 1913.

Examiner: J. H. Middleton.

This company was organized in January, 1913. Its certificate of incorporation sets forth its intention to transact business in the counties of Sullivan and Ulster and no extension beyond such territory has since been made. On January 22, 1913, the Department issued to it a certificate authorizing it to transact business in the two counties above named as a county assessment co-operative fire insurance company.

The assets and liabilities of the company on June 6, 1913, were as follows:

<i>Assets</i>	
Cash in bank.....	\$344 05
Cash in office	183 22
Total assets	\$527 27
<i>Liabilities</i>	
Owed to directors (estimated).....	\$70 00

Method of Business

Policies are issued by the secretary for the terms of three and five years. The company insures farm property, occupied either for purely farm purposes or as boarding houses. In only two cases have policies been written on village property, and in these cases such property is detached and not subject to a conflagration hazard. The company does not, moreover, write insurance on mercantile or manufacturing property.

All property insured is divided into four classes. The first class will be assessed at a flat rate, the second class at twice this rate, the third class at three times the flat rate and the fourth class at four times the flat rate.

Risks are inspected by two directors, one from the locality in which the property is located and one from another locality. In case of disagreement as to the desirability of binding the company to insure such property, the matter is referred to the board of directors at its monthly meeting.

All accounts are audited by the board of directors. Checks are signed by the president, secretary and treasurer.

It is the policy of the company to insure not more than \$2,000 on any one building and not more than \$4,000 in any group of buildings.

The company has appointed an auditing committee of three directors, whose duty it is to examine the books and records of the company.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the board of directors, and all applications.

At the time of examination the treasurer's account and the cash account did not agree. To remedy this situation, I would suggest that all sums of money coming into the possession of the company be paid to the treasurer and by him deposited in bank to the credit of the company and that the treasurer issue to the secretary a receipt for all moneys paid by such secretary to the treasurer. In addition, I would suggest that all disbursements, as far as practicable, be made by check and a receipt obtained, numbered and filed for all bills paid.

I would recommend further that the auditing committee at some stated period make a report to the company and that such report be placed in the minute book of the company and be signed by all members of the auditing committee.

Assessments

As pointed out above, the company has sustained no fire losses and the necessity of levying an assessment has not yet arisen.

Insurance in Force

At the time of examination the company had insurance in force of over \$200,000.

Advance Payment

The company charges in advance a membership, policy and survey fee of \$2, and in addition a percentage of 10 cents on each \$100 insured for each year that the policy is to remain in force.

Bonds

The rules of the company require the secretary and treasurer to each give a bond of \$5,000, but owing to the fact that little money had been received as yet it was not deemed necessary to procure such bonds. The secretary states, however, that such bonds will be procured immediately after the annual meeting of the company on June 10, 1913.

THE CO-OPERATIVE FIRE INSURANCE COMPANY OF THE TOWN OF GRANVILLE, N. Y.

MIDDLE GRANVILLE, N. Y.

Examination on condition as of June 17, 1914.

Report dated June 19, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in May, 1888. Its certificate of incorporation sets forth its intention to transact business in the town of Granville in Washington county and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 17, 1914, were as follows:

<i>Assets</i>	
Cash in bank.....	\$59 48
Total assets	<u>\$59 48</u>
<i>Liabilities</i>	
Unpaid losses (disputed).....	\$400 00
Total liabilities	<u>\$400 00</u>

Assets

The only asset of the company is the sum of \$59.48 which is deposited in bank to the credit of the company.

Liabilities

The only liability of the company appears to be a disputed loss claim which may amount to \$400.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses and detached village dwellings. No classification of risks is made; all policyholders being assessed at the same rate.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the secretary receives \$1.50 for each application taken.

Large losses are usually adjusted by the Executive Committee. Money is paid out by the treasurer by cheque.

The secretary states that the largest amount insured in any one risk is \$5,000.

The accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 288 policies and \$589,385 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$2.

Bonds

The treasurer has given bond in the sum of \$2,000 with two individuals as sureties and the secretary has given a bond in the sum of \$500 with two individuals as sureties.

THE CO-OPERATIVE FIRE INSURANCE COMPANY
OF THE TOWN OF HARTFORD

SOUTH HARTFORD, N. Y.

Examination on condition as of June 17, 1914.

Report dated June 19, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in April, 1886. Its certificate of incorporation sets forth its intention to transact business in the town of Hartford in Washington county, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 17, 1914, were as follows:

<i>Assets</i>	
Cash in bank.....	\$54 16
Total assets	<u>\$54 16</u>

<i>Liabilities</i>	
None.	

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property only. No classification is made, each policyholder being assessed at the same rate.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking applications the secretary receives \$1.50 for each application taken.

Large losses are usually adjusted by the Executive Committee which also passes on all applications.

Money is paid out by the secretary by cheque.

The secretary states that the largest amount insured in any one risk is \$4,000.

The accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps minutes of the meetings of the company and of the board of directors and executive committee, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to the secretary. New members are

assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 242 policies and \$449,375 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$2.

Bonds

The treasurer has given a bond in the sum of \$500 with one individual as surety.

DELAWARE COUNTY PATRONS' AND FARMERS' FIRE RELIEF ASSOCIATION

SIDNEY CENTER, N. Y.

Examination on condition as of October 2, 1913.

Report dated October 4, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized in May, 1881. Its certificate of incorporation recites its intention to conduct business in Delaware county. No extension in territory has ever been made. On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 2, 1913, were as follows:

<i>Assets</i>	
Cash in bank	\$382 06
Cash in office	708 67
Unpaid assessments	2,375 00
Total assets	\$3,465 73

Liabilities

Borrowed money unpaid.....	\$2,809 38
Owe secretary for money advanced.....	17 64
Total liabilities	<u>\$2,827 02</u>

Method of Business

Policies are issued by the secretary for the term of three years. The company insures farm property, village residences, churches and schoolhouses. All property is assessed at the same rate except water protected village property on which the rate of assessment is reduced 20 per cent. Applications are taken by the directors who receive \$1 for each application and certificate made. Losses are adjusted by the president or a director appointed by him. Assessments are paid to the directors and by them transmitted to the secretary, who, after recording, pays all moneys to the treasurer, who pays them by check.

The accounts of the company are audited annually by a committee of two directors.

There are in force a few policies, over \$7,000 in amount, and the secretary was unable to state of his own knowledge whether the property insured by such policies was so located that over \$7,000 was exposed to a single fire.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the board of directors and the executive committee, and all applications. In addition I would recommend that either the secretary or treasurer open a cash book in which shall be entered all items of receipts and expenditures with the date and the amount of each.

Assessments

Assessments are usually levied annually, about September 1st. The amount of the assessment is based upon the amount of losses which have been sustained. New members are assessed for their pro rata share of losses which have been incurred while they were members of the company. No charge for delinquency in payment of assessments is made.

Insurance in Force

On December 31, 1912, there were eight hundred sixty-two policies and \$1,483,925 of insurance in force.

Advance Payment

The company charges in advance an application fee of \$1.

Bonds

The secretary and treasurer have each given bonds in the sum of \$5,000, with individuals as sureties, and each director is given a similar bond in the sum of \$500.

DELHI INSURANCE COMPANY

DELHI, N. Y.

Examination on condition as of October 2, 1913.

Report dated October 6, 1913.

Examiner: J. H. Middleton.

This company was organized in March, 1859. Its articles of association set forth its intention to transact business in the town of Delhi in Delaware county, N. Y., and no extension beyond such territory has been made.

On December 29, 1911, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 2, 1913, were as follows:

<i>Assets</i>	
Cash in bank	\$77 94
Total assets	<u>\$77 94</u>
<i>Liabilities</i>	
Unpaid losses	\$17 00
Borrowed money	100 00
Total liabilities	<u>\$117 00</u>

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and village residences. No classification is made, all members being assessed at the same rate.

The company has nine directors whose duty it is to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications a director receives a fee of \$1 for each application.

The small losses are adjusted by the local director but in case of large losses a committee is appointed.

Money is paid out on order of the executive committee by the treasurer who signs all checks.

There are in force a few policies over \$7,000, but the secretary states that in no case is more than \$7,000 subject to a single fire.

All accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the board of directors and executive committee, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and is paid to the treasurer direct. New members are charged for only their pro rata share of losses which have been sustained during their period of membership. No extra charge for delinquency in payment of assessments is made.

Insurance in Force

On December 31, 1912, there were 363 policies and \$733,960 of insurance in force.

Advance Payments

The company charges in advance a survey fee of \$1 and a percentage of five cents on each \$100 of insurance.

Bonds

No officers of the company are bonded.

DRYDEN AND CROTON CO-OPERATIVE FIRE INSURANCE COMPANY

ETNA, N. Y.

Examination on condition as of October 24, 1913.

Report dated October 29, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized in 1860. In 1910, the company was reorganized. Its certificate of incorporation sets forth its intention to transact business in the towns of Dryden and Groton, in Tompkins county, and no extension beyond such territory has been made.

On December 30, 1910, the Department issued to it a certificate of authority to transact business as a co-operative fire insurance corporation on the assessment plan, in the territory named above.

No previous examination of the company has been made by this Department, except the examination made to verify its original statement.

The assets and liabilities of the company on October 24, 1913, were as follows:

<i>Assets</i>	
Cash in bank	\$219 00
Assessments in course of collection	4,500 00
Total assets	\$4,719 00
<i>Liabilities</i>	
Borrowed money	\$2,000 00
Unpaid losses	2,085 00
Total liabilities	4,085 00
Excess of assets over liabilities	\$634 00

Method of Business

Policies are issued by the secretary usually for the term of five years. The company insures farm property, schoolhouses, churches and village dwellings. Property is divided into three classes according to its distance from other property. The first

class is assessed at a flat rate; the second class at $1\frac{1}{4}$ times the first class, and the third class at $1\frac{1}{2}$ times the first class.

It is the duty of the directors to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses.

For taking applications the directors receive a policy fee of \$1.

Losses of less than \$50 are adjusted by the local director, and above \$50, by two or three directors.

Money is paid out on order of the president and secretary.

The secretary states that the largest amount insured in any one risk is \$7,000.

The executive committee audits the accounts of the company.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to the directors. New members are charged for only their pro rata share of losses incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1912, there were 1,720 policies and \$3,320,-840 of insurance in force.

Advance Payment

The company charges in advance a policy, survey and membership fee of \$2 and, in addition, a percentage of 10 cents per \$100 of insurance.

Bonds

The acting treasurer has given a bond without limitation as to amount to account for all moneys received. Such bond has two individuals as sureties.

DWELLING HOUSE CO-OPERATIVE FIRE INSURANCE COMPANY OF CAYUGA COUNTY

AUBURN, N. Y.

Examination on condition as of October 22, 1913.

Report dated October 29, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in May, 1902. Its certificate of incorporation sets forth its intention to transact business in the counties of Cayuga, Tompkins, Cortland, Madison and Onondaga, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a co-operative fire insurance company on the assessment plan in the territory named above.

The only previous examination of the company was made by this Department in September, 1909.

The assets and liabilities of the company on October 22, 1913, were as follows:

<i>Assets</i>	
Cash in office	\$125 13
Cash in bank	136 48
Total assets	<u>\$261 61</u>

Liabilities

None.

Method of Business

Policies are issued by the secretary, usually for the term of three years. The company insures water-protected dwellings only. Property is divided into three classes. The first class includes brick houses occupied by owners; the second class includes frame houses occupied by owners; and the third class includes dwellings occupied by tenants.

The company employs agents whose duty it is to take applications, inspect risks and collect premiums. For taking applications the agents receive \$1.40 per \$1,000 of insurance on new risks and \$1.15 per \$1,000 of insurance on old risks.

Losses are usually adjusted by two members of the executive committee.

Money is paid out by check by the treasurer.

The secretary states that the largest amount insured in any one risk is \$2,200.

The accounts of the company are audited by a committee of directors at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The total amount of the assessment is based on the amount of losses which have been sustained and is apportioned among the policyholders according to class and amount insured. Assessments are paid to the secretary or treasurer. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1912, there were 431 policies and \$497,753 of insurance in force.

Advance Payment

The company charges in advance a policy fee of 60, 70 or 80 cents per \$1,000 of insurance, according to classification, and, in addition, a percentage of 25 $\frac{2}{10}$ cents per \$100 of insurance for three years. The company charges a percentage of 50 cents per \$100 of insurance for three years on barns in which automobiles are kept. The secretary states, however, that only one policy was issued at this rate.

Bonds

No officer of the company is bonded, although section 5. of the by-laws requires the treasurer to give a bond to be approved by the board of directors.

THE FARMERS FIRE INSURANCE ASSOCIATION
OF THE TOWNS OF GREENVILLE, DURHAM,
WESTERLO AND RENSSELAERVILLE

FREEHOLD, N. Y.

Examination on condition as of May 13, 1914.

Report dated May 16, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized in January, 1855. In May, 1889, it appears to have incorporated. Its certificate of incorporation sets forth its intention to transact business in the towns of Greenville and Durham in Greene county, and Westerlo and Rensselaerville in Albany county. On April 26, 1909, its territory was extended to include the whole of the counties of Albany and Greene.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a co-operative fire insurance corporation on the assessment plan in the two counties named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on May 13, 1914, were as follows:

Assets

Premiums in course of collection.....	\$332 13	
Cash in bank	44 77	
Total assets		\$376 90

Liabilities

Officers' salaries accrued.....	\$100 00	
Total liabilities		\$100 00

Method of Business

Policies are issued by the secretary for the terms of one and five years. The company insures farm property, schoolhouses, village dwellings, hotels, creameries and mercantile property. Property is divided into three classes. The first class includes farm property, the second class includes village property which is insured for five years and the third class includes all one year property. All property is assessed at the same rate. Each class is, however, charged a different advance payment.

It is the duty of the directors to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking applications, the directors receive the full policy fee.

Large losses are adjusted by the board of directors, but in case of small losses the local director acts.

Money is paid out by the secretary by cheque.

The secretary states that the largest amount insured in any one risk is \$3,000, a risk being defined as a building not nearer to another building than 100 feet.

The accounts of the company are audited annually by the board of directors.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors, and all applications.

Assessments

Assessments are usually levied annually in October. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1913, there were 1,483 policies and \$2,136,-137 of insurance in force.

Advance Payment

The company charges in advance a percentage of 15 cents per \$100.00 of insurance on a 5 year policy on property in the first class, 20 cents per \$100.00 of insurance for 5 years on property in the second class, and 10 cents per \$100.00 of insurance for one year on property in the third class. In addition, a policy fee of \$1.00 is charged on policies of \$2,000.00 and under, and 5 cents per \$100.00 of insurance on policies of over \$2,000.00.

Bonds

The secretary-treasurer has given a bond in the sum of \$2,000 with two individuals as sureties.

FARMERS' MUTUAL FIRE INSURANCE COMPANY
OF FORT EDWARD

FORT EDWARD, N. Y.

Examination on condition as of June 17, 1914.

Report dated June 19, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in April, 1889. Its certificate of incorporation sets forth its intention to transact business in the town of Fort Edward in Washington county and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 17, 1914, were as follows:

<i>Assets</i>	
Cash in treasurer's hands.....	\$25 72
Total assets	\$25 72
<i>Liabilities</i>	
Due directors	\$6 00
Total liabilities	6 00
Excess of assets over liabilities.....	\$19 72

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property only. No classification of risks is made; all policyholders are assessed at the same rate.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the secretary receives \$1.50 for each application taken.

Large losses are usually adjusted by the board of directors.

Money is paid out by the treasurer by cheque.

The secretary states that the largest amount insured in any one risk is \$5,000.

The accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to the treasurer. New

members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 122 policies and \$245,130 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$2.00.

Bonds

No officer of the company has given bond.

THE FARMER'S MUTUAL INDEMNITY ASSOCIATION
OF CAYUGA COUNTY

MORAVIA, N. Y.

Examination on condition as of October 22, 1913.

Report dated October 29, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in 1879. Its certificate of incorporation sets forth its intention to transact business in the county of Cayuga, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a co-operative insurance corporation transacting business on the assessment plan, in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 22, 1913, were as follows:

Assets

Cash in office.....	\$63 16	
Cash in bank.....	113 74	
Assessments in course of collection.....	500 00	
Premiums in hands of agents.....	700 00	
Total assets		\$1, 376 90

Liabilities

Borrowed money	\$1,190 84	
Unpaid losses (not due)	630 00	
Unpaid losses (contested)	600 00	
Total liabilities		2, 420 84
Excess of liabilities over assets.....		\$1,043 94

Method of Business

Policies are issued by the secretary usually for the term of three years. The company insures farm property and village dwellings. All property is assessed at the same rate, no classification being made.

It is the duty of the directors to take applications, inspect risks, collect assessments and assist in the adjustment of losses. For taking applications the director receives a policy fee of \$1.00. Money is paid out by cheque by the treasurer.

The secretary states that the largest amount insured in any one risk is \$7,000.

The accounts of the company are audited annually by a committee of policyholders elected for that purpose

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and all applications. In addition I would recommend that he keep a cash book in which shall be entered, at the time the transaction takes place, all receipts and disbursements of the company, and further that a record of the proceedings of the executive committee be kept.

Assessments

Assessments are usually levied annually in the fall. The amount of the assessment is based on the amount of losses which have been sustained. New members are assessed for only their pro rata share of losses which have been sustained. Assessments are paid to the secretary or the directors. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1912, there were 1900 policies and \$3,620,-247 of insurance in force.

Advance Payment

The company charges in advance a survey fee of \$1.00, and in addition a percentage of 10 cents for one year, and 16 2-3 cents for two years, 20 cents for three years and 30 cents for five years.

Bonds

The secretary-treasurer has given a bond in the sum of \$4,000 with individuals as sureties.

FIDELITY CO-OPERATIVE FIRE INSURANCE
COMPANY

ALFRED, N. Y.

Examination on organization as of January 22, 1914.

Report dated January 22, 1914.

Examiner: J. H. Middleton.

A declaration has been submitted to the Department by the required number of persons, which states that they intend to form a county co-operative fire insurance company to transact business on the assessment plan, and the Attorney-General has approved such declaration. The president and secretary of the above named company have submitted the statements provided

for in section 263 of the Insurance Law. This statement recites that applications for insurance amounting to \$207,900 have been made in good faith on property located in the county of Allegany.

I have examined these applications for insurance and find the names, addresses and amounts of insurance applied for as enumerated in the above-mentioned statement are correct, and that the amount of insurance applied for is sufficient to meet the requirements of sections 262 and 263 of the Insurance Law.

THE HAMDEN MUTUAL INSURANCE COMPANY

HAMDEN, N. Y.

Examination on condition as of October 2, 1913.

Report dated October 6, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized on July 1, 1873. Its articles of association set forth its intention to transact business in the town of Hamden in Delaware county, and no extension beyond such territory has been made. On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory above named.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 2, 1913, were as follows:

<i>Assets</i>		
Cash in office	\$58 25	
Cash in hands of Combs Brothers.....	71 20	
Total assets		\$129 45
<i>Liabilities</i>		
Unpaid losses	\$471 00	
Total liabilities		\$471 00

Assets

The only assets of the company is the sum of \$129.45 cash, \$58.25 of which is in the hands of the secretary, and \$71.20 in the hands of Combs Brothers, a mercantile concern which acts as banker for the secretary, receiving assessments and paying out funds on his order.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, village residences and schools. No classification is made, however, all property being assessed at the same rate.

The company has nine directors, whose duty it is to take applications, inspect risks and assist in the adjustment of losses. For taking applications the director receives 50 cents for each application taken.

Losses are adjusted by a committee of directors appointed for that purpose. Money is paid out in cash either by the secretary or by Combs Brothers at his order.

The secretary states that the largest amount insured in any one risk is \$3,000.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors, and all applications. In addition, I would recommend that he keep a cash book in which shall be entered all items of receipts and disbursements, together with the date and amount of such disbursements and the purposes for which the disbursement is made.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained, and sometimes a small amount is collected to pay future losses or expenses. New members are assessed for only their pro rata share of losses which are incurred during their

period of membership. Assessments are paid to the secretary and to two persons appointed by him. No penalty for delinquency in payment of assessments is imposed.

Insurance in Force

On December 31, 1912, there were 288 policies and \$607,888 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$1 only.

Bonds

No officer of the company is bonded.

THE HEBRON CO-OPERATIVE FIRE INSURANCE
COMPANY

WEST HEBRON, N. Y.

Examination on condition as of June 16, 1914.

Report dated June 19, 1914.

Examiner: J. H. Middleton.

This company was organized and incorporated in December, 1910. Its certificate of incorporation sets forth its intention to transact business in the town of Hebron in Washington county, and no extension beyond such territory has been made. The company was organized to take over the business of an older company, which appears to have been organized in 1877.

On December 27th, 1910, the Department issued to it a certificate of authority to transact business as an assessment co-operative insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 16th, 1914, were as follows:

Assets

Cash in treasurer's hands.....	\$27 20	
Total assets		\$27 20

Liabilities

Unpaid losses	\$500 00	
Borrowed money	230 00	
Total liabilities		\$730 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property only. No classification of risks is made, all policyholders paying the same rate of assessment.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking applications the secretary receives \$1.00 for each application taken.

Large losses are usually adjusted by the board of directors.

The secretary states that the largest amount insured in any one risk is \$3,000.

The accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to the secretary and treasurer. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 350 policies and \$655,920 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$2.00.

Bonds

No officers of the company have given bond.

JACKSON FIRE INSURANCE COMPANY

JACKSON, N. Y.

Examination on condition as of June 16, 1914.

Report dated June 26, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized in November, 1858. Its articles of association set forth its intention to transact business in the town of Jackson in Washington county, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 16, 1914, were as follows:

Assets

Cash in treasury.....	\$168 12	
Total assets		<u>\$168 12</u>

Liabilities

None.

Method of Business

Policies are issued by the secretary for the terms of five years. The company insures farm property, and detached village dwellings. No classification of risks is made, all policyholders being assessed at the same rate.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the secretary receives \$1.50 for each application taken.

Large losses are adjusted by the board of directors, but the secretary acts on small losses.

The secretary states that the largest amount in any one risk is \$4,000.

The accounts of the company are read at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to the president. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 186 policies and \$445,300 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$2.00.

Bonds

No officer of the company has given bond.

KORTRIGHT MUTUAL FIRE INSURANCE ASSOCIATION

KORTRIGHT, N. Y.

Examination on condition as of June 23, 1914.

Report dated July 1, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized in June, 1878. Its articles of association set forth its intention to transact business in the town of Kortright in Delaware county, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 23, 1914, were as follows:

<i>Assets</i>	
Cash in bank.....	\$73 85
Assessments in course of collection.....	681 57
Total assets	\$755 42
<i>Liabilities</i>	
Unpaid losses	\$3,568 00
Total liabilities	\$3,568 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses, churches and village dwellings. No classification of risks is made, all policyholders paying the same rate of assessment.

It is the duty of the directors to take applications, inspect risks, collect premiums and assist in the adjustment of losses. The directors receive nothing for their service in taking applications.

Losses are usually adjusted by a committee of three policyholders.

Money is paid out by the treasurer by cheque.

The secretary states that the company has interpreted that provision of section 266 of the Insurance Law limiting the amount which an assessment company may assume on any one risk to \$7,000, to mean that a policy as large as \$7,000 could be issued on any one building. As a result of this misunderstanding the company has on its books a large number of risks in excess of \$7,000; in fact the company recently suffered a loss of \$8,930 in a single fire on a policy of over \$15,000. Under the circumstances I would recommend that the board of directors be called together immediately, and all risks of the company be reviewed, and in cases where there is more than \$7,000 subject to one fire, that all insurance in excess of such amount be immediately cancelled.

The accounts of the company are audited annually by a committee of policyholders.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained. Assessments are paid to the treasurer. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1913, there were 294 policies and \$975,225 of insurance in force.

Advance Payment

The company charges in advance a percentage of five cents per \$100 of insurance, and in addition a policy fee of 75 cents.

Bonds

No officer of the company is bonded.

THE MERCANTILE CO-OPERATIVE FIRE INSURANCE COMPANY OF GREENE COUNTY

CATSKILL, N. Y.

Examination on condition as of September 25, 1913.

Report dated October 28, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized in September, 1903, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the county of Greene. On December 21, 1904, its territory was extended to include also the counties of Albany, Dutchess, Orange and Ulster.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as an advance premium co-operative fire insurance corporation in the five counties named above.

On April 3, 1911, the company filed a certificate of intention to extend its business into all counties in the State outside of New York city.

The only previous examination of the company was made by this Department in September, 1909.

The assets and liabilities of the company on September 25, 1913, were as follows:

Ledger Assets

Book value of stock.....	\$250 00	
Cash in office.....	149 00	
Cash in bank not on interest.....	6 21	
Cash in bank at interest.....	723 38	
Agents' balances over 3 months due.....	903 72	
Agents' balances less than 3 months due.....	1,591 84	
Total assets		\$3,624 15

Non-Ledger Assets

Interest due and accrued on cash in bank.....	21 10	
Gross assets		\$3,645 25

Deduct Assets Not Admitted.

Agents' balance over 3 months due.....	\$903 72
Total admitted assets	<u>\$2,741 53</u>

Liabilities

Unpaid losses:	
Adjusted but not due.....	\$556 86
Unadjusted	13 33
Resisted	375 00
	<u>\$945 19</u>
Unearned premiums	5,946 71
Inspection, adjustments, rents, etc.....	98 34
Total liabilities	<u>\$6,990 24</u>

Method of Business

Policies are issued by the secretary, usually for the terms of one and three years. The company insures farm property, village dwellings and hotels, and mercantile property. The company's rates are estimated to be twenty per cent. less than the special board ratings. Business is transacted usually through agents who are compensated for their service by a percentage of the premiums collected.

Losses are sometimes adjusted by the secretary although the company frequently employs other adjusters. Money is paid out by cheque, signed by the president and one director.

The secretary states that the average risk assumed by the company on farm property amounts to \$1,000, and on mercantile property from \$1,000 to \$1,500.

The accounts of the company are audited annually by an examining committee which makes a written report of its findings.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors, and all applications.

Conflagration Hazard

The company keeps no records by which I was enabled to verify the statement that one of the application limitations of section 267 of the Insurance Law had been exceeded. The secretary states, however, that he has a sufficient knowledge of the location and amount of the company's business, that he can state of his own knowledge that none of these limitations have been exceeded in the village of Catskill and that to the best of his knowledge and belief have not been exceeded in any other city or village.

Expense of Management

In 1912 the ratio of expense of management to premium income, after deducting from such expense of management any expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith, was 34.8 per cent.

Insurance in Force

On December 31, 1912, there were 1741 policies and \$1,288,462 of insurance in force.

Bonds

The secretary-treasurer of the company has given a bond in the sum of \$5,000 with individuals as sureties.

MIDDLETOWN AND ROXBURY FIRE INSURANCE
COMPANY

ROXBURY, N. Y.

Examination on condition as of June 23, 1914.

Report dated July 1, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in March, 1903. Its certificate of incorporation sets forth its intention to transact business in the towns of Middletown, Roxbury and Andes in Delaware County, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 23, 1914, were as follows:

<i>Assets</i>	
Cash in bank	\$28 35
Assessments in course of collection	370 90
Total assets	<u>\$399 25</u>

<i>Liabilities</i>	
Unpaid losses	\$492 25
Borrowed money :	3,038 50
Due officers and directors (estimated)	300 00
Total liabilities	<u>\$3,830 75</u>

Method of Business

Policies are issued by the secretary usually for the term of three years. The company insures farm property, school-houses and village dwellings. No classification of risks is made, all policyholders being assessed at the same rate.

It is the duty of the directors to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the directors receive \$2.00 per day for time spent.

Large losses are usually adjusted by the board of directors.

Money is paid out by the secretary by cheque.

The secretary states that the largest amount insured in any one risk is \$7,000.00.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors, and all applications.

Assessments

Assessments are levied annually if necessary. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small surplus. Assessments are paid to a collector elected for that purpose. New members are assessed at the same rate as old members. If assessments are not paid in thirty days the company charges 5 per cent extra.

Insurance in Force

On December 31, 1913, there were 858 policies and \$2,093,-983 of insurance in force.

Advance Payment

The company charges in advance a percentage of \$1 on the first \$1,000 of insurance, and 10 cents on each additional \$100.

Bonds

The treasurer and collector each give bond in the sum of \$5,000 with two individuals as sureties.

THE MUTUAL CHEESE FACTORY AND CREAMERY
INSURANCE COMPANY OF ST. LAWRENCE
AND JEFFERSON COUNTIES, NEW YORK

CANTON, N. Y.

Examination on condition as of April 25, 1914.

Report dated April 30, 1914.

Examiner: J. H. Middleton.

This company was organized in April, 1895, as a co-operative fire insurance corporation. Its territory was originally limited to the counties of St. Lawrence and Jefferson. On May 1, 1911, its territory was extended into fifty-three additional counties.

On December 27, 1910, the department issued a certificate authorizing the company to continue business as an advance premium co-operative fire insurance corporation. The company was previously examined on August 17, 1911.

The assets and liabilities of the company on April 25, 1914, were as follows:

Ledger Assets

Cash in bank not at interest.....	\$9,071 26
Cash in bank at interest.....	2,500 00
Manager's salary overpaid.....	118 00
Due from policyholders on policies written after January 27, 1914	4,248 52
Due from policyholders on policies written before January 27, 1914	1,718 26
Total ledger assets	\$17,663 04

Non-Ledger Assets

Accrued interest on cash in bank.....	63 62
Gross assets	\$17,726 66

Deduct Assets Not Admitted

Due from policyholders on policies written before January 27, 1914	1,718 26
Net assets	\$16,008 40

Liabilities

Unpaid losses (not due).....	\$3,000 00
Unearned premium reserve.....	8,039 53
Total liabilities	11,039 53
Excess of assets over liabilities.....	\$4,968 87

Method of Business

Policies are issued by the company on creameries, cheese factories, schools, churches, mercantile risks, farms and dwellings. It is the custom to collect in advance a premium which is estimated to be at least enough to pay all expenses of the

insurance for the full term of the policy. About every six weeks, or oftener, if losses are unusually large, the company makes what is called an "assessment" which means that each policyholder's account is charged with his proportionate share of the losses and expenses of the company which have accrued to the date of such "assessment." At the expiration of the policy or at its cancellation, the company repays the policyholder, either in cash or by a premium credit, the difference between the sum originally paid for the insurance and the "assessments" charged against his account. In case the total amount of the "assessments" exceeds the original premium, the excess is collected from the policyholder, usually at the time of collecting his renewal premium.

Losses are usually adjusted by directors especially appointed to perform such services. Occasionally, however, the officers of the company make adjustments. It is the custom of the company to pay losses at the end of sixty days, unless the policyholder agrees to accept cash with a two per cent. discount, which is frequently done.

The affairs of the company are largely under the direction of the manager, who passes on all risks.

Records

In accordance with the requirements of the by-laws the manager keeps a policy register. The minutes of the annual meeting of the members and of the board of directors have not been distinguished. I would recommend that the manager be instructed to keep separate records of the meetings of the members and of the board of directors.

The accounts of the company are audited annually by a committee appointed for that purpose. I would recommend that a written report of the findings of this committee be entered in the permanent records of the company.

Special Account

The company carries in its ledger a special account which does not pass through its annual statement. In this account is

kept bad accounts and as an offset the company keeps discounts earned by cash payment of losses, interest on cash in bank and other income except direct payments by policyholders. This account now shows a balance of \$277.63 on hand. I would recommend that the secretary be directed in future to report all items making up this account in his annual statement.

Conflagration Hazard

The company keeps no record with reference to the amount of insurance in force in cities and villages other than the policy register. Until recently the business of the company has been on single widely separated risks. The manager states, however, that he has kept close watch of the new insurance, and knows of his own knowledge that none of the conflagration limitations of section 267 of the Insurance Law have been exceeded.

Inspections

The company employs an inspector who devotes his entire time to inspecting the property insured. An attempt is made to inspect all property insured once a year. The expenses of this inspection were \$2,508.76 in the year 1912 and \$2,891.80 in the year 1913. In cases in which the inspector finds conditions which should be remedied, he notifies the owner of the premises and notifies the company of the necessary improvements and an endeavor is made to induce the policyholder to comply with the inspector's directions. The management believes that its policy of frequent inspection has resulted in a considerable lessening of the fire hazard.

Bonds

The manager states that he has given a bond with personal surety in the sum of \$10,000, but that at present such bond has been mislaid and the officers of the company are unable to locate it.

ONEIDA COUNTY GRANGE CO-OPERATIVE FIRE
INSURANCE COMPANY

FLOYD, N. Y.

*Examination on organization as of June 26, 1914.**Report dated January 26, 1914.**Examiner: J. H. Middleton.*

A declaration has been submitted to the Department by the required number of persons, which states that they intend to form a county co-operative fire insurance company to conduct business on the assessment plan, and the Attorney-General has approved such declaration. The president and secretary of the above-named company have submitted the statement provided for in section 263 of the Insurance Law. This statement recites that applications for insurance amounting to \$204,276 have been made, in good faith, on property located in the county of Oneida.

I have examined these applications for insurance and find that the names, addresses and amounts of insurance applied for as enumerated in the above-mentioned statement are correct, and that the amount of insurance applied for is sufficient to meet the requirements of sections 262 and 263 of the Insurance Law.

OTSEGO COUNTY PATRONS CO-OPERATIVE FIRE
RELIEF ASSOCIATION

ELK CREEK, N. Y.

*Examination on organization as of November 8, 1913.**Report dated November 8, 1913.**Examiner: J. H. Middleton.*

A declaration has been submitted to the Department by the required number of persons, which states that they intend to form a co-operative fire insurance company, to conduct business on the assessment plan, and the Attorney-General has approved such declaration.

The president and secretary of the above named company have submitted the statement provided for in section 263 of the Insurance Law. This statement recites that applications for insurance, amounting to \$297,290, have been made in good faith on property located in the county of Otsego, and applications for insurance, amounting to \$59,000, have been made in good faith on property situated in the counties of Schoharie, Greene and Delaware.

I have examined these applications for insurance and find that the names, addresses and amounts of insurance applied for, as enumerated in the above mentioned statement, are correct and the amount of insurance applied for is sufficient to meet the requirements of sections 262 and 263 of the Insurance Law.

THE PATRONS OF HUSBANDRY CO-OPERATIVE
FIRE RELIEF ASSOCIATION OF THE COUNTY
OF HERKIMER, STATE OF NEW YORK

HERKIMER, N. Y.

Examination on condition as of November 13, 1913.

Report dated November 18, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in August, 1889. Its certificate of incorporation sets forth its intention to transact business in the county of Herkimer, and on March 2, 1895, its territory was extended to include the town of Richfield in Otsego county.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a co-operative fire insurance corporation on the assessment plan in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on November 13, 1913, were as follows:

<i>Assets</i>	
Cash in office	\$27 53
Cash in bank (\$9,397.30) less orders drawn on treasurer (\$2,173.79)	7, 223 51
Total assets	\$7, 251 04
<i>Liabilities</i>	
Unpaid losses (including \$150 resisted)	\$162 00
Due officers	590 62
Total liabilities	752 62
Excess of assets over liabilities.....	\$6, 498 42

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and village dwellings which are detached at least fifty feet from other property. Property is divided into four classes according to the director's judgment of its relative hazard. All classes are assessed at the same rate, but a difference is made in the amount charged in advance.

It is the duty of the directors to take applications, inspect risks, collect premiums and assessments and assist in the adjustment of losses. For taking applications the directors receive \$1.00 for each application taken.

Losses under \$100 are adjusted by the local director, and over \$100 by the adjusting director, the local director and the next nearest director.

Money is paid out by the treasurer by check on the order of the president and secretary. Contrary to the usual practice, however, the order is sent to the payee for endorsement instead of the treasurer.

The secretary states that the largest amount insured in any one risk is \$7,000.

The accounts of the company are audited by the finance committee.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors and executive committee, and all applications.

Assessments

Assessments are usually levied annually in August or September. The amount of the assessment is based on the estimated amount of losses and expenses for the coming year. Assessments are usually paid to the secretary, but sometimes are paid to directors. New members are assessed at the same rate as old members, but in case of withdrawal a rebate is paid. No penalty for delinquency in payment of assessments is exacted unless suit for collection is brought.

Insurance in Force

On December 31, 1912, there were 1,500 policies and \$4,455,556 of insurance in force.

Advance Payment

The company charges in advance a percentage of 1/7 of one per cent. of the amount insured on property in the first class, 1/6 of one per cent. in the second class, 1/5 of one per cent. in the third class, and 1/2 of one per cent. in the fourth class, and in addition a survey fee of \$1.00.

Bonds

The treasurer has given a surety bond in the sum of \$5,000, and the secretary a bond of \$3,000 with individuals as sureties.

SALEM MUTUAL TOWN FIRE INSURANCE COMPANY
SALEM, N. Y.

Examination on condition as of June 16, 1914.

Report dated June 19, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in February, 1889. Its certificate of incorporation sets forth its intention to transact business in the town of Salem in Washington county, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 16, 1914, were as follows:

<i>Assets</i>	
Cash in bank	\$79 63
Due from policyholders	9 00
Total assets	\$88 63

Liabilities

None.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and detached village dwellings. No classification of risks is made, all policyholders being assessed at the same rate.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the secretary receives \$1.00 for each application taken.

Large losses are adjusted by the board of directors.

Money is paid out by the treasurer by cheque.

The secretary states that the largest amount insured in any one risk is \$7,000.

The accounts of the company are read at the annual meetings.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors, and all applications.

Assessments

Assessment are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and it is estimated also to create a small sur-

plus. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 244 policies and \$565,575 of insurance in force.

Advance Payment

The company charges in advance a policy fee of \$2.00.

Bonds

No officer of the company has given bond.

THE SECURITY MUTUAL FIRE INSURANCE
COMPANY OF DELAWARE COUNTY, N. Y.

DELHI, N. Y.

Examination on condition as of October 1, 1913.

Report dated November 17, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in December, 1897. Its certificate of incorporation sets forth its intention to transact business in the county of Delaware. On January 25, 1898, its territory was extended to include the counties of Broome, Chenango, Madison and Oneida. On July 8, 1904, its territory was further extended to include the counties of Sullivan and Orange, and on April 8, 1905, into the county of Westchester.

On December 27, 1910, the Department issued a certificate authorizing the company to continue business as a co-operative fire insurance corporation, on the advance premium plan in the eight counties named above.

On March 4, 1911, the company filed a certificate in the Department setting forth its intention to transact business in every county of the State outside those counties embraced in the city of New York.

The only previous examination of the company was made by this Department in November, 1909.

The assets and liabilities of the company on October 1, 1913, were as follows:

Ledger Assets

Mortgage loans	\$16,850 00
Book value of bonds.....	2,000 00
Cash in bank on interest.....	10,198 57
Agents' balances less than 3 months due.....	3,823 11
Agents' balances over 3 months due.....	1,083 97
Total ledger assets	\$33,955 65

Non-Ledger Assets

Interest due and accrued on:	
Bonds	\$129 50
Mortgages	490 12
	619 62
Gross assets	\$34,575 27

Deduct Assets Not Admitted

Agents' balances over 3 months due.....	\$1,083 97
Book value of bonds over market value.....	25 00
Total	\$1,108 97
Total admitted assets.....	\$33,466 30

Liabilities

Unpaid losses, unadjusted (estimated).....	\$1,200 00
Unearned premiums	15,332 09
Officers' salaries due.....	375 00
Total liabilities	\$16,907 09

Assets

The principal asset of the company is the sum of \$16,850, which has been loaned on bond and mortgage. Annexed hereto and marked Schedule A is a list showing names of mortgagors, amount

of principal unpaid and company's valuation of property mortgaged. As evidence of the title to the property the company has filed a statement signed by its attorney to the effect that he has examined the title records of ten of the thirteen parcels of real estate on which money has been loaned and that the title in each case is well vested in the mortgagor. On the three remaining parcels the company has in two cases abstracts of title on file, but in the third case has no such abstract of title.

In lieu of an appraisal of the value of property mortgaged, the company has filed an affidavit signed by the president and the secretary in which is set forth that the above named officers are familiar with each parcel of real estate mortgaged and knew the value of such property. In every case the values of real estate set forth in such affidavit are more than 50 per cent. more than the amount loaned thereon.

Other assets of the company include bonds, the par value of which is \$2,000. These bonds are the school bonds of the second district of the town of Andes. Those expiring in 1917 and 1918 have been valued at 98; those in 1915 at 99; those in 1913 and 1914 at par.

There is deposited in bank to the credit of the company the sum of \$10,198.57. This sum is protected by a bond of \$25,000.

There are due from agents the sum of \$4,907.08. Of this sum \$1,083.97 was represented by policies written more than three months prior to the date of examination, and has, therefore, been deducted as an asset not admitted.

Records

In accordance with the requirements of the by-laws the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee, and all applications. The accounts of the company are audited annually by a committee of three directors who make a written report thereon.

Conflagration Hazards

The company had no records from which I could verify its statement that the conflagration limitations of section 267 of the Insurance Law had not been exceeded. The secretary stated, how-

ever, that he was familiar with the risks written, and that he knew of his own knowledge that none of such limitations had been exceeded.

Expense of Management

In 1912 the percentage of expense of management to premium income after deducting from such expense any expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith, was 34.97.

Bonds

The secretary and treasurer have each given a bond in the sum of \$5,000 with individuals as sureties.

STAMFORD INSURANCE COMPANY

STAMFORD, N. Y.

Examination on condition as of June 23, 1914.

Report dated June 29, 1914.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in February, 1860. Its certificate of incorporation sets forth its intention to transact business in the towns of Harpersfield and Stamford in Delaware county, and no extension beyond such territory has been made.

On December 19, 1911, the Department issued to it a certificate of authority to continue business as an assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 23, 1914, were as follows:

<i>Assets</i>	
Cash in office.....	\$13 80
Cash in bank.....	1,288 60
Assessments in course of collection.....	282 04
Total	<u>\$1,584 44</u>

<i>Liabilities</i>		
Unpaid losses (not due)	\$750 00	
Unpaid losses (disputed)	1,500 00	
Due officers and directors (estimated)	110 00	
Borrowed money and interest thereon	1,190 25	
Total liabilities		\$3,550 25

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and village dwellings. No classification of risks is made, all policyholders being assessed at the same rate.

It is the duty of the directors to take applications, inspect risks, collect premiums and assist in the adjustment of losses. For taking applications the directors receive \$.75 for each application taken.

Money is paid out by the treasurer by cheque.

The secretary states that the largest amount insured in any one risk is about \$5,000. In its by-laws, however, the company denies liability for any greater sum than \$2,500 in a single fire.

The accounts of the company are read at the annual meetings.

Records.

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the company and of the board of directors, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained. Assessments are paid to the treasurer. New members are assessed for only their pro rata share of losses which have been incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1913, there were 408 policies and \$810,075 of insurance in force.

Advance Payment

The company charges in advance a percentage of \$1.50 on the first \$500 of insurance, and 5 cents for each additional hundred dollars.

Bonds

The secretary states that the treasurer has given a bond in the sum of \$2,500 with individuals as sureties.

STERLING FIRE INSURANCE COMPANY

COBLESKILL, N. Y.

Examination on condition as of October 27, 1913.

Report dated November 11, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized and incorporated in October, 1895, under the name of "Schoharie and Otsego Mutual Fire Insurance Company." Its certificate of incorporation sets forth its intention to transact business in the counties of Schoharie and Otsego. On May 20, 1904, its territory was extended into the counties of Saratoga and Washington, and on January 31, 1906, its territory was further extended to include the counties of Montgomery, Chenango and Broome.

On June 25, 1910, the name of the company was changed to its present title.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a co-operative fire insurance corporation, on the advance premium plan, in the seven counties named above. On January 9, 1911, the corporation filed a certificate setting forth its intention to transact business in all the counties of the State outside of those embraced in the city of New York.

The only previous examination of the company was made by an examiner of this department on October 27, 1909.

The assets and liabilities of the company on November 1, 1913, were as follows:

<i>Ledger Assets</i>	
Cash in bank on interest.....	\$18,500 00
Cash in bank not on interest.....	3,207 98
Agents' balances less than 3 months due.....	3,997 86
Agents' balances over 3 months due.....	2,740 10
Total	<u>\$28,445 94</u>
<i>Non-Ledger Assets</i>	
Interest due and accrued on cash in bank.....	753 67
Gross assets.....	<u>\$29,199 61</u>
<i>Deduct Assets Not Admitted</i>	
Agents' balances over 3 months due.....	2,740 10
Total admitted assets.....	<u><u>\$26,459 51</u></u>
<i>Liabilities</i>	
Unpaid losses (unadjusted).....	\$1,599 89
Unearned premiums	17,602 68
Accrued salaries of president and treasurer.....	166 66
Total liabilities	<u><u>\$19,369 23</u></u>

Assets.

The principal asset of the company is the sum of \$21,707.98 cash in bank. Of this sum \$3,207.98 does not draw interest.

The money is deposited in four banks, but the sum of \$14,207.98 is deposited in bank at Cobleskill where the principal office of the company is located. The other assets of the company include \$6,737.96 due from agents, of which \$2,740.10 is more than three months due, and accrued interest amounting to \$753.67.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and a record of the proceedings of the meetings of the members and the Board of Directors and Executive Committee, and all applications.

Expense of Management

In 1912 the ratio of expense of management to premium income, after deducting from such expense any expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith, was 34.7 per cent.

Conflagration Hazard

The company has Sanborn maps on which a record is kept of the amount of insurance in force, by localities, in those cities and villages in which the company has large agencies, and the secretary is enabled to readily ascertain the amount the company has at risk in any block or square.

Bonds

The treasurer has given a bond in the sum of \$10,000 with individuals as sureties.

Secretary's Agency

The secretary conducts an agency and receives commissions on business placed by such agency. All such risks, however, are passed on by the company's bookkeeper who is empowered so to act by the board of directors.

TOMPKINS COUNTY CO-OPERATIVE FIRE
INSURANCE COMPANY

ITHACA, N. Y.

Examination on condition as of December 1, 1913.

Report dated March 27, 1914.

Examiner: J. H. Middleton.

This examination was made at the request of the officers of the company, such request being made for the reason that the financial condition of the company was such that it was deemed necessary to levy an assessment sufficient to make good a deficiency which existed through the company's failure to possess the unearned premium liability provided for by section 267 of the Insurance Law. On account of the fact that the examination was not made at the initiative of the Department the only books of the company examined were the ledger and unearned premium account, and these were only examined briefly.

The assets and liabilities of the company on December 1, 1913, were as follows:

<i>Ledger Assets</i>	
Book value of bonds.....	\$27,700 00
Cash in office.....	59 81
Cash in bank.....	5,323 13
Agents' balances less than 3 months due.....	18,876 04
Agents' balances over 3 months due.....	10,930 48
Total ledger assets.....	\$62,889 46
<i>Non-Ledger Assets</i>	
Interest accrued on bonds.....	418 16
Gross assets.....	\$63,307 62
<i>Deduct Assets Not Admitted</i>	
Agents' balances over 3 months due.....	\$10,930 48
Book value of bonds over market value.....	300 00
	<u>11,230 48</u>
Total admitted assets.....	\$52,077 14
<i>Liabilities</i>	
Unpaid losses	\$25,173 00
Unearned premiums	133,717 06
Unpaid bills	533 33
Total liabilities.....	\$159,423 39
Excess of liabilities over assets.....	\$107,146 25

THE WALTON CO-OPERATIVE FIRE INSURANCE COMPANY

WALTON, N. Y.

Examination on condition as of October 2, 1913.

Report dated October 16, 1913.

Examiner: J. H. Middleton.

This company appears to have been organized in October, 1888, as a town co-operative fire insurance corporation. Its certificate of incorporation sets forth its intention to transact

business in the town of Walton, county of Delaware, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 2, 1913, were as follows:

<i>Assets</i>	
Cash in bank.....	\$283 39
Total assets.....	<u>\$283 39</u>
<i>Liabilities</i>	
Rent accrued	\$18 00
Officers' salaries accrued.....	93 75
Total liabilities.....	<u>\$111 75</u>

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, school houses, dwellings and creameries. Risks are divided into two classes. The first class, which includes dwellings and contents, is assessed a flat rate, and the second class, which includes barns and contents and live stock, is assessed one and one-third times the first class.

Applications are taken by the directors.

Losses are adjusted by the president, the secretary and one director.

All bills are audited by the board of directors and paid by check by the secretary.

The largest amount insured in any one risk, the secretary states, is \$5,000.

The accounts of the company are audited annually by the board of directors.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and the board of directors, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained, and sometimes a small surplus is raised in addition. Assessments are paid to the treasurer. New members are assessed for only their *pro rata* share of losses and expenses incurred during their period of membership.

Insurance Outside of Territory

In cases where horses are insured the following addition has been made to the policy: "But the farm or family team or teams, while under the charge of the owner or his employees, will be insured wherever it may be, if it be insured while on the premises of the owner."

This appears to be a violation of that portion of section 262 of the Insurance Law which provides that, "No corporation, subject to the provisions of this article, shall insure any buildings or property out of the limit of the territory comprised in its certificate of incorporation and the territory to which it may heretofore have been legally extended, or to which it shall hereafter be extended under the provisions of this article."

Insurance in Force

On December 31, 1912, there were 473 policies and \$916,408 of insurance in force.

Advance Payments

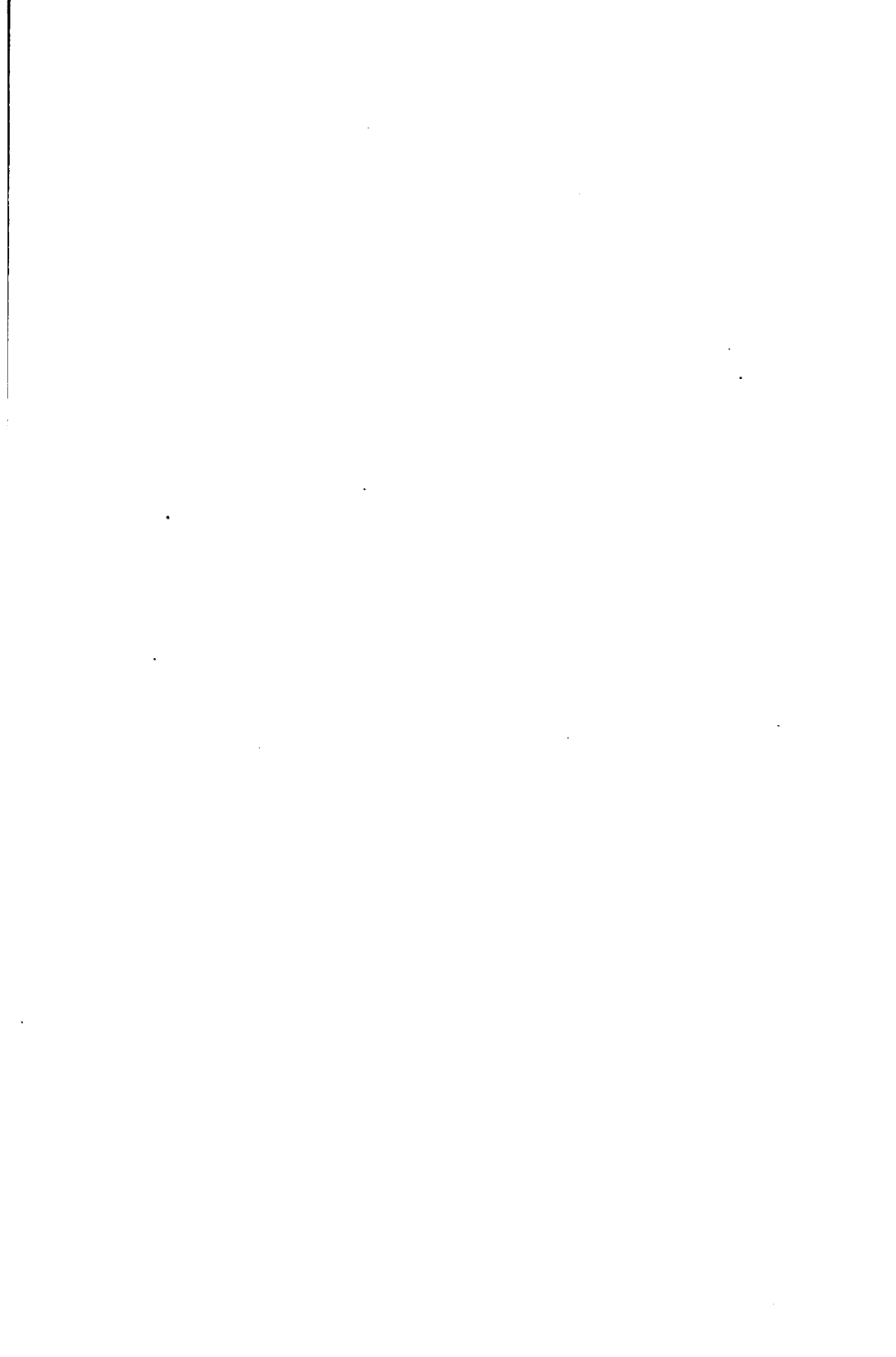
The company charges in advance a policy fee of \$1.

Bonds

No officer of the company has given a bond.

Lloyds Associations

[620]



LUMBER UNDERWRITERS

NEW YORK, N. Y.

Examined to ascertain condition June 30, 1913.

Report dated August 19, 1913.

Examiner: Richard A. Elmer.

Financial Condition

The financial condition of the association on June 30, 1913, was found to have been as follows:

<i>Assets</i>	
Book value of bonds.....	\$10,000 00
Cash in bank.....	179,343 99
Agents' balances within three months due.....	79,685 84
Agents' balances over three months due.....	14,640 91
Due for reinsured losses.....	176 33
Accrued interest on bonds.....	175 00
Dividends due on mutual reinsurance.....	1,760 39
Brokerage due	190 29
Salvage due	2,130 00
Gross assets.....	\$288,102 75
 <i>Deduct Assets Not Admitted</i>	
Agents' balances over three months.....	\$14,640 91
Book value of bonds over market value.....	700 00
	15,340 91
Total admitted assets.....	\$272,761 84
<i>Liabilities</i>	
Gross unpaid losses.....	\$72,608 09
Less admitted reinsurance.....	1,851 25
Net unpaid losses.....	\$70,756 84
Unearned premiums	208,734 22
Due for reinsurance.....	6,396 99
Due attorney-in-fact	2,560 11
Accrued taxes, bills, etc.....	2,500 00
Total liabilities (except underwriters' deposit).....	\$288,948 16
Underwriters' deposit	37,600 00
Total liabilities	\$326,448 16
Excess of liabilities over assets.....	\$53,686 32

Assets

The bonds owned consist of \$10,000 par value State of Georgia registered 3½ per cent., maturing 1931 to 1933, and deposited with the State Treasurer of Georgia.

The amount reported for agents' balances of \$94,326.75 is the balance shown by the controlling account in the general ledger. In attempting to verify this balance with the subsidiary agents' ledgers it was found that these books had not been recently balanced with the controlling accounts and that the open items exceeded by approximately \$3,000 the ledger figure. To absolutely verify this balance would entail much time and detail checking of the agents' account, which for the purpose of this report was not considered necessary. It is, however, respectfully recommended that the association be advised to verify its agency balances.

The agents' balances over ninety days due amounted to \$14,640.91, and have been deducted as a not admitted asset. A portion of these balances, however, have been paid since June 30, 1913, and it would appear probable that ultimately the entire amount will either be collected or cancelled.

Outstanding Claims

The papers in connection with the unpaid losses were examined and the gross estimates of the outstanding claims were found to aggregate \$72,608.09 with admitted re-insurance of \$1,851.25, leaving a net liability of \$70,756.84. The association in its quarterly statement for June 30, 1913, reported outstanding claims of \$44,980.95, a difference of \$25,775.89 from the amount found on examination. This difference is accounted for by the fact that association assumed full credit for re-insurance in companies not licensed in this State and on referring to the association's annual statement for the year ended December 31, 1912, it was also found that credit of approximately \$8,000 had been taken for reinsurance in unauthorized companies.

In the sworn annual statement blank the association is asked to report on page 5, lines 1, 2 and 3, the gross amount of the outstanding losses and on line 5 to "Deduct reinsurance due or accrued only in companies or associations authorized in New York, as per schedule 'E.'" In the statement submitted by the associa-

tion for the year ended December 31, 1912, the net amount, i. e., the gross claim less admitted and unadmitted reinsurance, was reported on line 2, and line 5 and schedule "E" were blank. The association, therefore, took credit for unauthorized reinsurance against the specific directions contained in the Department blank, and also filed a quarterly statement made up in the same manner, resulting in both statements being an inaccurate presentation of the association's financial condition.

Excess of Liabilities Over Assets

As shown in the foregoing statement the "Underwriters Deposit" of \$37,500 has been charged as a liability and the total liabilities exceed the assets by \$53,686.32. On August 13, 1913, the executive committee of the association passed the following resolution:

"Resolved, that in order to be relieved from carrying any liability to be charged against any surplus in Lumber Underwriter, as required in section 303 of the Laws of the State of New York, the Executive Committee of Lumber Underwriters hereby directs that we no longer carry any part of the assets of Lumber Underwriters as a deposit, but that all of the moneys now in Lumber Underwriters be considered as surplus, and not as a special deposit, as heretofore.

"It is further ordered that this resolution take effect immediately."

In accordance with the foregoing resolution it would appear that the association is relieved from carrying any liability on account of the underwriters' deposit and if this resolution can be considered as affecting the financial condition on June 30, 1913, the liabilities would exceed the assets in the sum of \$16,186.32.

Reinsurance Contracts

The association has recently effected several reinsurance contracts with foreign companies not authorized to transact business in the State of New York, and has ceded to these companies extensive lines of business. If the reinsurance in these non-admitted companies could be taken into consideration it would reduce the liability for the unearned premium reserve and the unpaid losses by approximately \$100,000.

MEMORANDUM — LUMBER UNDERWRITERS

September 29, 1913.

An examination of the Lumber Underwriters as of June 30, 1913, disclosed a deficiency of approximately \$16,000, due to the fact that agents' balances due over ninety days in an amount of \$12,000 were not allowed; that a large proportion of reinsurance ceded was placed by treaty with three unauthorized companies, which reinsurance could not be allowed as a deduction in computing the amount of the Reinsurance Fund. There was also due from these reinsuring companies, on losses paid by the Lumber Underwriters, approximately \$6,000, which could not be allowed.

As a result of an investigation of September 27, 1913, it was found that on September 25, 1913, the Lumber Underwriters received from the three unauthorized reinsuring companies checks in an amount of \$45,888.32, which were deposited in the Seaboard National Bank to the credit of the Lumber Underwriters.

The amounts of the checks and the purposes for which given were:

For the payment of reinsuring companies' proportion of estimated amount of reported but unadjusted losses —

German Reinsurance Co.....	\$8,333 33
Bernese Reinsurance Co.....	8,333 33
Dusseldorf Reinsurance Co.....	8,333 33
	\$24,999 99

For the payment of reinsuring companies' portion of losses paid by Lumber Underwriters —

German Reinsurance Co.....	\$3,645 16
Bernese Reinsurance Co.....	3,645 16
Dusseldorf Reinsurance Co.....	3,598 02
	\$10,888 34

For the payment of return premiums on business to be cancelled by Lumber Underwriters —

German Reinsurance Co.....	\$3,333 33
Bernese Reinsurance Co.....	3,333 33
Dusseldorf Reinsurance Co.....	3,333 33
	\$9,999 99

The Lumber Underwriters have cancelled flat premiums on business placed in unauthorized companies in an amount of (approximately)	\$4,500 00
and have cancelled in unauthorized companies and reinsured in admitted companies premiums in an amount of (approximately)	11,500 00
Total	\$16,000 00

The result of these transactions will be the increasing of the assets of the company in the amount received from the reinsuring companies for amounts due on losses paid and not allowed in statement (estimated)..... \$6,000 00

The amount of the Reinsurance Fund, by the transfer and cancellation of premiums from the unauthorized companies to authorized companies will be 50% of \$16,000 or..... 8,000 00
thereby reducing this liability in this amount.

The amount of reinsurance in unauthorized companies on estimated unpaid losses would have to be allowed as a deduction from the liability "Losses unpaid." This amount, estimated at approximately 16,000 00
is covered by the deposit of \$24,999.99.

The company is protected in the matter of return premiums in the amount of the deposit..... 9,999 99

The financial condition of the company, taking these changes into consideration, would be:

Increase in Assets:

By the receipt of reinsurance on losses paid..... \$6,000 00

Decrease in liabilities:

Reinsurance fund \$8,000 00

Amount of reinsurance on estimated losses 16,000 00

24,000 00

Gross change in favor of company..... \$30,000 00

Deduct deficiency 16,000 00

Surplus \$14,000 00

This surplus is subject to slight changes on final adjustment, but I consider the company solvent at the present time.

It is suggested that a check of the transfer of reinsurance from unauthorized to authorized companies and the adjustment of losses be made as early as possible.

Examined to ascertain condition September 30, 1913.

Report dated November 3, 1913.

Examiner: Richard A. Elmer.

The report on examination of this association, submitted under date of August 19, 1913, disclosed, on June 30, 1913, an excess of liabilities over assets of, approximately, \$16,000. This condition of affairs was accounted for by the fact that agents' balances over ninety days due in an amount of \$14,640.91 were not allowed; that a large proportion of the reinsurance ceded was placed by treaty with three companies not licensed in the state of New York, and therefore could not be legally allowed as a deduction in computing the amount of the unearned premium reserve, and that there was due for losses from the said reinsuring companies approximately \$25,000, which also could not be considered as an admitted asset.

When this condition of affairs was brought to the attention of the association, steps were at once taken to remedy the situation, and during September, 1913, heavy cancellations were effected of the business ceded to the three treaty companies; various blocks of reinsurance were transferred from unauthorized to authorized companies, and the premiums due were closely collected. On September 25, 1913, the association received from the three unauthorized reinsuring companies checks aggregating \$45,888.32, which were deposited in the Seaboard National Bank to the credit of the Lumber Underwriters and were to be applied on account of return premiums, paid losses and outstanding losses due from the said companies.

These arrangements were specially investigated by Examiner Derrick, and a memorandum under date of September 29, 1913, showing the details of the various transactions, is filed with this report.

Financial Condition

The financial condition of the association on September 30, 1913, was found to have been as follows:

<i>Ledger Assets</i>	
Book value of bonds.....	\$10,000 00
Cash in bank.....	218,466 28
Agents' balances within three months.....	55,319 86
Agents' balances over three months.....	1,376 71
Total ledger assets.....	\$285,162 85

Non-Ledger Assets

Accrued interest on bonds.....	\$87 50	
Accrued interest on bank deposits.....	732 96	
Dividend on Mutual Reinsurance.....	819 49	
Brokerage due	190 29	
Losses due from reinsuring companies.....	2,029 98	
Total non-ledger assets.....		\$3,860 22
Gross assets		\$289,023 07

Not Admitted Assets

Agents' balances over three months.....	\$1,376 71	
Book value of bonds over market value.....	700 00	
Total non-admitted assets.....		2,076 71
Total admitted assets.....		\$286,946 36

Liabilities

Outstanding losses	\$62,880 00	
Premium reserve	194,743 68	
Due for reinsurance premiums.....	12,170 98	
Due Perry & Co.....	2,083 54	
Accrued taxes and bills.....	2,500 00	
Total liabilities		\$274,378 20
Surplus		12,568 16
		\$286,946 36

As shown in the foregoing financial statement, the surplus of the association on September 30, 1913, amounted to the sum of \$12,568.16. In compiling this statement, in accordance with the statutory requirements, approximately \$63,000 of reinsurance ceded to unauthorized companies has not been allowed as a deduction in computing the unearned premium reserve. This reinsurance, however, from a commercial point of view would probably be considered an available credit.

Underwriters' Report

On November 14, 1913, the following resolution was adopted by the executive committee.

"Whereas, The Insurance Department of the State of New York has questioned the exact status of the surplus, or deposits, made by the members of the Lumber Underwriters, as set forth in Article 2 of the Articles of Agreement and Power of Attorney of Lumber Underwriters, claiming that this Article is not sufficiently clear to entirely warrant the carrying of these said deposits as surplus only, therefore,

Be it Resolved, That the Executive Committee of Lumber Underwriters hereby adopt the following resolution and request each of the fifteen members of the said Lumber Underwriters to sign this resolution, hereby waiving any right to claim that the present deposits, or surplus, or any part of same, are individual deposits and herewith agreeing that the sums now on the books of Lumber Underwriters, although the said sums may be credited to each of the undersigned individuals as deposit or surplus, shall henceforth be carried as, and be, surplus funds of the Lumber Underwriters and not deposits, and the signing of this resolution is to be considered a full release from each individual Underwriter and it is fully recognized by each that the so-called deposits are not to be hereafter treated as deposits, but as surplus only."

In view of the above resolution and the intent expressed therein to have the fifteen underwriters sign same, no liability has been charged in the foregoing financial statement on account of "Underwriters' deposit."

Life Insurance Companies

[639]

FARMERS NATIONAL LIFE INSURANCE COMPANY

SYRACUSE, N. Y.

Examined on organization.

Report dated June 26, 1914.

Examiner: John E. Watson.

(Name changed on September 17, 1914, to "Farmers' and Traders' Life Insurance Company.")

HOME LIFE INSURANCE COMPANY

NEW YORK, N. Y.

Examined to ascertain condition December 31, 1913.

Report dated February 16, 1914.

Examiner: Nelson B. Hadley.

MANAGEMENT

The management of the company is vested in a board of directors which the charter provides shall consist of not less than thirteen nor more than twenty-three persons. At the present time, the board has twenty-one members, divided into four classes. One class is elected each year for a term of four years. The board elects a president, two vice-presidents and a vice-president and secretary. It also appoints the following officers,—medical director, assistant medical director, cashier, actuary, assistant actuary, superintendent of agents, counsel and assistant secretary.

There are four standing committees elected annually by the board, viz: an executive committee, consisting of the president and seven directors; a finance committee consisting of the president and not more than five directors; an auditing committee consisting of five directors; and a building committee consisting of the president and three directors. Two members of the executive committee constitute a mortuary committee.

Each member of the mortuary committee passes on the death claims and receives \$2 per claim. The audit committee makes

an audit each quarter and receives \$125 without regard to the time spent or the number of members taking part. In all other cases directors, not under salary, receive \$20 per meeting.

The finance committee formerly consisted of the president and four directors. In 1911 it seemed advisable to increase the membership to six and this change was incorporated in the by-laws but the charter was left unchanged. This discrepancy has now been rectified. It is the duty of this committee to invest the funds of the company. A perusal of the committee minutes shows that some of its investments have been made and then reported to the committee for confirmation. Several of the authorizations to purchase bonds fail to state a price at which the purchase should be made. One resolution authorizes a member of the committee to select real estate mortgages to an amount not exceeding \$150,000. Eleven mortgages aggregating \$138,750 were apparently bought under this authorization. Three others seem to have been purchased under an authorization which does not appear in the minutes. At another time, this same member was "authorized to purchase additional mortgages for the company." Transactions of this kind do not seem to be in accord with section 100 of the Insurance Law which contemplates a specific authorization for each investment before it is made. Mortgages should not be extended nor the interest rate changed unless properly authorized.

During the last four years this committee has held fifteen meetings with only two members present, although it requires three for a quorum. Action taken at these meetings was confirmed at the next meeting of the committee.

DISABILITY BENEFITS

Disability benefits, consisting of the waiver of future premiums in case of total and permanent disability of the insured before attaining age 60, are now granted upon the payment of an extra annual premium. The disability benefit is not applicable to term insurance, to female lives, nor to those cases where the age of the insured is rated up on account of hazardous occupation.

SURRENDERS

Cash values are allowed on all life and endowment policies whether or not the contracts specifically guarantee them.

Prior to 1902, in the absence of a cash or loan value, the cash value is generally found by first converting the policy into its equivalent paid-up value. This amount is then discounted for the number of years to run as shown by the table of "Expectation of Life," using the attained age of the insured. In no case does the company give more than the reserve value.

From 1902 to 1906 inclusive, the guaranteed cash values represent graduated percentages of the 3% or 3½% reserves, according to the kind of policy and the number of years in force.

Cash values were not guaranteed in the 1907 standard form. The values allowed also represent percentages of the reserves.

On issues since 1907, the full 3% reserve is allowed less a fixed surrender charge which varies from \$15 per thousand at the end of the third year to \$2.50 per thousand at the end of the ninth year. The surrender charge never exceeds 20% of the reserve.

As a test check, all policies surrendered during November, 1912, were examined, the company's computations were verified, and the figures were traced into the cancellation register and from there to the ledger.

No differences were found, as this work is carefully done.

DEATH CLAIM.

In order to test the company's treatment of death claims, we selected, for examination, all the claims on which the amount paid differed from the face of the policy, and those which were not paid within sixty days of the death of the insured. Nearly all adjustments in amount were made on account of misstatement of age. The amount paid in each case represented the amount of insurance which the premium paid by the insured would purchase at his true age at entry. No evidence was found that the delay in payment was in any way the fault of the company. It is the custom to pay death claims on the same day that completed proofs are received.

Few claims have been contested or compromised and the company appears to have been warranted in taking such action. Claims are handled promptly and claimants receive fair treatment.

A liability of \$15,000 is carried to cover incurred losses of which no notice has been received. This amount fairly represents the liability as shown by the experience of the past three years.

The outstanding liability December 31 on account of policy claims was as follows:

Claims for death losses in process of adjustment.....	\$4,739 95
Claims for death losses no proofs received.....	140,763 21
Reserve for net death losses incurred but unreported.....	15,000 00
Claims for matured endowments due and unpaid.....	25,016 87
Claims for death losses resisted by the company.....	7,000 00
	\$192,520 03

DIVIDENDS

The liability for unpaid dividends is made up partly in the actuary's department and partly in the renewal department. The unpaid, or open items on the dividend books are also listed and the amount so obtained is about \$1,000 more than the result obtained by the other method. This difference cannot be explained.

FINANCIAL STATEMENT

Receipts

Total new premiums.....	\$739,364 55
Total renewal premiums.....	3,347,485 52
Extra premiums for total and permanent disability benefits	1,242 34
Total premium income.....	\$4,088,092 41
Consideration for supplementary contracts not involving life contingencies	7,354 00
Dividends left with the company to accumulate at interest....	12,506 78
Total gross interest and rents.....	1,362,709 78

Gross profit on sale or maturity of ledger assets, viz:		
Bonds	\$1,378 00	
Stocks	8,141 25	
		<u>\$9,519 25</u>
Gross increase by adjustment in book value of ledger assets, viz.: Bonds (accrual of discount)		6,945 48
Total receipts	\$5,487,127 70	
Ledger assets December 31, 1912	27,327,513 15	
Total	<u>\$32,814,640 85</u>	

Disbursements

Total paid policyholders	\$2,940,303 15
Expense of investigation and settlement of policy claims, including \$756.90 for legal expenses	790 55
Paid for claims on supplementary contracts not involving life contingencies	34,959 73
Dividends and interest thereon held on deposit surrendered during the year	3,271 19
Paid stockholders for interest or dividends	15,000 00
Commissions to agents (less commission on reinsurance)	401,883 06
Agency supervision and traveling expenses of supervisors (except compensation for home office supervision)	44,259 59
Branch office expenses, including salaries of managers and clerks	87,694 02
Medical examiner's fees	\$26,932 54
Inspection of risks	3,817 03
	<u>30,749 57</u>
Salaries and all other compensation of officers, directors, trustees and home office employees	201,312 27
Rent, including \$30,000 for company's occupancy of its own building	30,000 00
Advertising	\$16,263 02
Printing and stationery	12,676 80
Postage, telegraph, telephone and express	8,653 34
Exchange	13 93
	<u>37,607 09</u>
Legal expenses not included in item 16	4,524 44
Furniture, fixtures and safes	5,611 32
Repairs and expenses (other than taxes) on real estate	33,545 56
Taxes on real estate	16,742 50
State taxes on premiums	52,809 37
Insurance department licenses and fees	9,093 60
All other licenses, fees and taxes	3,696 55
Other disbursements	8,357 66

Gross decrease by adjustment in book value of
ledger assets, viz:

Real estate	\$50,000 00	
Bonds (including \$11,409.75 for amortiza- tion of premiums)	11,409 75	
		<u>\$61,409 75</u>
Total disbursements	\$4,023,620 97	
Balance	28,791,019 88	
		<u><u>\$32,814,640 85</u></u>

Ledger Assets

Book value of real estate	\$1,450,000 00	
Mortgage loans on real estate	6,869,820 00	
Loans made to policyholders on this company's policies assigned as collateral	4,008,626 89	
Premium notes and liens on policies in force	628,548 72	
Book value of bonds	\$14,076,221 25	
Book value of stocks	1,318,459 02	
		<u>15,394,680 27</u>
Deposits in trust companies and banks, not on interest	46,313 50	
Deposits in trust companies and banks, on interest	380,519 90	
Agents' balances (net)	9,544 52	
Suspense, balance in First-Second Nat'l Bank, Pittsburg, Pa. .	2,966 08	
		<u></u>
Total ledger assets, as per balance	\$28,791,019 86	

Non-Ledger Assets

Total interest and rents due and accrued	245,799 92	
Due from other companies for losses or claims on policies of this company reinsured	1,000 00	
Net amount of uncollected and deferred premiums	435,064 45	
		<u></u>
Gross assets	\$29,472,884 25	

Deduct Assets Not Admitted

Agents' debit balances (gross)	\$9,604 12	
Book value over market value of		
Stocks	243,559 02	
Bonds	37,722 00	
		<u>\$290,885 14</u>
Admitted assets	\$29,181,999 11	

Liabilities, Surplus and Other Funds

Net reserve, paid for basis	\$26,233,223 00	
Present value of amounts not yet due on supplementary con- tracts not involving life contingencies	224,473 00	

Liability on policies cancelled and not included in net reserve upon which a surrender value may be demanded.....	\$5,085 08
Total policy claims.....	192,520 03
Dividends left with the company to accumulate at interest and accrued interest thereon.....	38,347 27
Premiums paid in advance, including surrender value so applied	29,722 04
Unearned interest and rents paid in advance.....	139,288 19
Commissions to agents due and accrued.....	9,712 23
Salaries, rents, office expenses, bills and accounts due and accrued	1,500 00
Medical examiner's fees, including inspection of risks, \$692.68, and legal fees, \$2,763.78, due and accrued.....	3,456 46
Estimated amount hereafter payable for federal, state and other taxes, based upon the business of the year of the statement	57,000 00
Dividends or other profits due policyholders including those contingent on payment of outstanding and deferred premiums	17,624 81
Dividends declared on or apportioned to annual dividend policies payable to policyholders during 1914, whether contingent upon the payment of renewal premiums or otherwise.	125,000 00
Present value of dividends used to shorten the premium paying period	105 53
	\$27,077,057 64
Capital stock	125,000 00
Unassigned funds (surplus).....	1,979,941 47
Total	<u>\$29,181,999 11</u>

Receipts and Disbursements

Agents' accounts were examined in detail and the totals checked to the cash book. Agents' contracts were read at the same time to verify commission charges. Other items of income and disbursement were verified from the company's records. Ledger postings for the year were checked and the totals of the various accounts traced to the annual statement. A test was also made which showed that a reserve was carried for every policy on which a premium was collected.

Interest and rents for the year were as follows:

Gross interest on mortgages.....	\$244,723 73
Gross interest on bonds and dividends on stocks.....	656,152 43
Gross interest on premium notes, policy loans or liens.....	256,702 03

Gross interest on bank deposits.....	\$4,365 45
Gross interest for extension of premiums.....	7,599 69
Gross interest, miscellaneous.....	2,287 72
Gross rent, including \$30,000 for company's occupancy of its own building.....	90,878 73
Total	\$1,362,709 78

Payments to policyholders were as follows:

Death claims and additions.....	\$1,033,068 98
Matured endowments and additions.....	687,704 78
Annuities involving life contingencies.....	46,615 69
Surrender values paid in cash.....	631,905 95
Surrender values applied to pay premiums.....	320 74
Dividends paid in cash.....	30,763 06
Dividends applied to pay renewal premiums.....	195,077 86
Dividends applied to shorten endowment or premium paying period	25 56
Dividends applied to purchase paid-up additions and annuities.....	302,313 75
Dividends left with the company to accumulate at interest....	12,506 78
	\$2,940,303 15

Assets

Real Estate:

The home office building is the only piece of real estate owned by the company. At the time of the last examination, this property was carried on the books at its original cost, \$1,643,609.81. Since then, the company has spent \$11,381.40 for betterments and has reduced the book value \$204,991.21, making the present book value \$1,450,000.

The following table shows the results obtained for the past four years:

	Gross Rent.	Operating Expense.	Net Income.	Percentage of Net Income to Book Value.
1910.....	\$96,499 60	\$52,343 13	\$44,156 47	2.68%
1911.....	98,313 56	51,643 45	46,670 11	3.01%
1912.....	98,576 22	55,444 08	43,132 14	2.87%
1913.....	90,878 73	50,288 06	40,590 67	2.79%

Mortgage Loans:

On December 31, 1913, the company owned 472 real estate mortgages amounting to \$6,869,820. Of this amount \$5,617,320 is guaranteed both as to principal and interest. The charge for

this guarantee is one-half of one per centum of the interest paid by the mortgagor, except in one case where one per centum is paid. The rates of interest vary from $4\frac{1}{2}$ per cent. to 7 per cent., the average rate on December 31 was 4.957 per cent.

All the mortgage papers were carefully examined and compared with schedule B in regard to description of premises, amount of loan, rate of interest, etc. The interest received and interest accrued were also verified. Extension agreements were checked. The company does not usually extend unguaranteed mortgages. The examination of the fire insurance policies shows that the company is amply protected against loss. Tornado insurance is also carried in places subject to severe wind storms.

Of the mortgages found at the last examination to be in excess of the legal limit, all but four have been paid. Each of the remaining ones has been extended without making the required reduction. The company defends its action on the ground that the property has appreciated in value to such an amount as to render the reduction unnecessary.

All papers and records are in first-class shape.

Policy Loans:

Outstanding policy loans amounted to \$4,008,626.89 on December 31, 1913. Contrary to the usual practice of having the interest fall due on the anniversary of the policy, this company prefers to have the interest payable at some other time. By having premium and interest payable on different dates, it is claimed that many lapses are avoided.

Interest is generally paid in advance and in most cases is computed at 5.66 per cent., although a few loans are at 5 per cent. Some of the old loans are still running at 6 per cent., payable semi-annually when earned.

Premium Notes and Liens:

This item amounted to \$628,548.72 and was evidenced partly by notes and partly by liens which arose by loaning each year, one-quarter, one-third or one-half of the annual premium or installments thereof, according to contract.

A test check covering three months, was made. No errors were found.

Bonds and Stocks:

The bonds and stocks owned by the company were examined and counted January 6, 1914. Those not in their possession were evidenced by proper receipts. The receipts of interest and dividends were verified and the accrued interest was computed. The amounts reported are correct.

The following table shows the reduction in stock holdings during the past four years:

	No. of Shares.	Par Value.
Stocks owned December 31, 1909.....	15,962	\$956,200 00
Stocks sold in 1910.....	600	60,000 00
Stocks owned December 31, 1910.....	15,362	\$896,200 00
Stocks sold in 1911.....	400	30,000 00
Stocks owned December 31, 1911.....	14,962	\$866,200 00
Stocks sold in 1912.....	176	17,600 00
Stocks owned December 31, 1912.....	14,786	\$848,600 00
Stocks acquired in 1913*.....	50	5,000 00
	14,836	\$853,600 00
Stocks sold in 1913.....	86	8,600 00
Stock owned December 31, 1913.....	14,750	\$845,000 00

On December 31, all cash in the company's office was deposited. Certificates showing the amount on deposit at the close of business on that date, were obtained from the several banks, and these were reconciled by means of pass books and cancelled checks, with the balances shown on the company's books.

*Liabilities**Reserves:*

In order to determine the reserve liability on its outstanding policies, the issues of the last two years are entered in the department registers in seriatim order, while the issues of prior years are grouped according to kind and age. At the last examination, all issues up to and including 1907 were so grouped. Since then, the issues of 1908, 1909, 1910 and 1911 have also been classified.

* Stock dividend.

As the first step in verifying the accuracy of the department registers, approximately a third of the policy register cards for each of the past four years were compared with the applications. This established the accuracy of the register cards. The department registers for 1912 and 1913 issues were then checked with the register cards.

To determine the accuracy of the four groups established since the last examination, 1,000 consecutive register cards were selected at random from the issues of each of the years 1908, 1909, 1910 and 1911. Cards were written, giving the year of issue, kind of policy and age of the insured. These cards were then classified and checked into the department registers.

The terminations from all groups were verified by the cancelled actuary's cards and these were supported by the cancellation register as shown by a test check.

Policy changes affecting reserves were traced from the change register to the actuary's cards and then to the department registers.

All additions to the various groups, by reinstatement or otherwise, were verified.

Reversionary additions on life and endowment policies, and the contingent temporary annuities were carefully tested. The liability for deferred dividends is carried under this heading and represents their present value as shown by schedule "P."

The reinsurance schedule was checked and found correct.

Litigation:

The company does not keep a docket showing the status of suits against it. This record should be kept as it is the basis from which the liability for claims in litigation and for unpaid legal expenses is determined. A letter from the counsel of the company was the only evidence submitted to support this liability.

Other Liabilities:

The other liability items were verified but do not call for discussion.

Limitation of Expenses

The methods employed by the company to determine the margins and expenses on new business were carefully investigated. A comprehensive test check showed that the work is carefully done.

The following is a statement in comparative form, showing the percentage to premiums of the various margin and expense items for the past four years.

	1910	1911	1912	1913
Loadings, per cent of premiums..	24.245%	24.631%	22.525%	29.521%
Mortality gains, per cent of premiums	34.402%	34.845%	30.984%	35.573%
Total margins, per cent of premiums	58.647%	59.476%	53.509%	65.094%
Commissions, per cent of premiums	44.539%	44.501%	40.101%	45.002%
Medical and inspection fees, per cent of premiums.....	3.653%	7.244%	6.645%	7.208%
Total expenses, per cent of premiums	48.191%	51.745%	46.746%	52.210%
Excess of margins over expenses per cent of premiums.....	10.456%	7.731%	6.763%	12.884%

GAIN AND LOSS EXHIBIT

The following table shows the gains and losses for the past four years:

	1910	1911	1912	1913
Gain from loading.....	\$19,228 64	.....	.....	.....
Gain from interest.....	242,875 91	\$239,977 39	\$285,911 16	\$306,854 65
Gain from mortality.....	288,585 40	246,017 65	396,148 64	415,072 47
Gain from annuities.....	.....	22,163 78	.....	9,687 31
Gain from surrendered and lapsed policies....	121,967 45	125,676 87	118,385 01	105,010 82
Gain from special funds.....	.....	43,609 81	.....	.....
Gain from profit and loss.....	8 11	13	47 10	.....
Gain from stocks and bonds	23,260 08	22,594 90	13,906 62	9,519 25
Gain from assets not admitted	6,754 10	3,144 50	3,136 80	1,838 46
Gain unaccounted for....	.....	5,000 00	.....	.....
Total gains.....	<u>\$702,619 69</u>	<u>\$706,185 03</u>	<u>\$817,538 33</u>	<u>\$847,982 96</u>
Loss from loading.....	.....	\$14,956 78	\$32,095 71	\$40,792 68
Loss from annuities.....	\$700 66	.....	11,061 08	.....
Dividends paid stockholders	15,000 00	15,000 00	15,000 00	15,000 00
Decrease in surplus on dividend account.....	449,162 72	483,940 84	624,323 50	560,747 91
Loss from special funds.....	43,609 81	.....	.....	.....
Decrease in book value of real estate.....	.....	93,609 81	61,381 40	50,000 00
Loss on stocks and bonds including change in difference between book and market value.....	151,861 48	2,267 00	33,336 82	112,036 45
Loss on account of method of valuation of dividend endowment accumulations .....	.....	7,843 00	7,616 00	7,363 00
Increase in surplus.....	42,286 02	90,567 60	32,723 82	62,037 92
Total losses.....	<u>\$702,619 69</u>	<u>\$708,185 08</u>	<u>\$817,538 33</u>	<u>\$847,982 96</u>

The items of the gain and loss exhibit for 1913 were verified from the records of the company.

Officers' Salaries

	1910	1914
George E. Ide, President.....	\$30,000 00	\$35,000 00
Anton A. Raven, Vice-President.....	None	None
William A. Marshall, Vice-President.....	15,000 00	17,500 00
Ellis W. Gladwin, Vice-President and Secretary.	15,000 00	17,500 00

The present salaries of the other officers are as follows:

F. W. Chapin, Medical Director.....	\$8,000 00
F. C. Hilliard, Cashier.....	8,000 00
Geo. W. Murray, Superintendent of Agents.....	8,000 00
Henry Moir, Actuary.....	8,000 00
H. Von Sinderen, Counsel.....	5,000 00
H. N. Sheppard, Assistant Actuary.....	3,900 00
W. S. Gaylord, Assistant Secretary.....	6,000 00

Growth of Company

The business of the company shows a steady growth during the period under examination as evidenced by the following table:

	Admitted Assets	Insurance in Force
1909.....	\$23,626,014 17	\$92,532,533 00
1910.....	24,981,689 25	100,214,968 00
1911.....	26,399,106 19	105,047,760 00
1912.....	27,948,618 69	110,647,145 00
1913.....	29,181,999 11	116,360,110 00

Conclusion

During this examination every possible assistance has been cheerfully rendered by officers and employees. All records have been accessible for inspection whenever needed.

From the above report it is apparent that the company is efficiently managed, its claims under its policies promptly settled and its policyholders treated fairly.

METROPOLITAN LIFE INSURANCE COMPANY

NEW YORK, N. Y.

*Examined to ascertain condition, December 31, 1912.**Report dated January 7, 1914.**Examiner: Nelson B. Hadley.*

STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, N. Y., *March 23, 1914*

When the Metropolitan Life Insurance Company was last examined by this department, Mr. William H. Hotchkiss, who was then the Superintendent of Insurance of New York State, prefaced the publication of his report of examination with a memorandum in which laudatory references were made to the company's activities in several of its departments. Particular stress was laid upon the desirability of encouraging and extending in this country the writing of so-called industrial insurance, for which the Metropolitan Life Insurance Company is chiefly noted. This, I suspect, was a question which had been puzzling Mr. Hotchkiss considerably, as it had the Armstrong Committee a few years before—the question, I mean, of whether private enterprise should be left much longer in control of the business of supplying industrial insurance to the masses on a large scale. My predecessor's memorandum shows that, whatever his original doubts may have been on this point, they were dispelled by the showing which the Metropolitan made under an examination which was searching in the extreme, and which I surmise had in the first instance been undertaken in no spirit of pre-conceived approval of the company's methods and purposes.

Upwards of three years have passed since that examination was completed, and today, notwithstanding the fact that the world is steadily growing more radical in its attitude toward private enterprise as a suitable agency for the accomplishment of quasi-public purposes, this question of permitting organisms like the Metro-

politan Life Insurance Company — stock companies, in the management of which, however, policyholders have certain rights — to continue to supply the great social service of providing industrial insurance to the masses unchallenged by interference or competition from the state itself, is not being agitated to anything like the extent it was three years ago. In other fields, the socialistic ideal of state control has during this time been making large headway, while in this field it has shown a distinct tendency to abate. If this means anything, it means that in the field of industrial insurance, however it may be in other directions, private enterprise has been splendidly justifying itself by its works. Upon no other ground is it possible now for private enterprise in any quasi-public field to escape the challenge of the new spirit that is abroad in the land.

The fact is, the history and achievements during the last decade of the Metropolitan Life Insurance Company, and of one or two other of our large life insurance companies, present such shining examples of efficient and enlightened business management — with in some cases a dash of statesmanship thrown in — that it seems to me to be quite as much the duty of a supervisory official, when an appropriate occasion arises, to comment favorably upon such cases of successful public service by business corporations under private control, as it would be his duty under present conditions to administer sharp criticism if the tendency had been in the other direction. In the case of the Metropolitan Life, the responsibilities of the company's management are shared by its comparatively small number of stockholders and its army of ordinary policyholders — under charter provisions designed to bring about this happy union in a practicable manner. Precisely what the basis of this partnership between stockholders and policyholders is need not be gone into here. It is no part of the work of the Insurance Department to settle questions which from time to time arise over the legal meaning of charter provisions. That is a function reserved, under our laws, to the courts. It is with the results achieved under such a system as the Metropolitan has, rather than with its exact legal character, that we are now concerned. I simply call attention, therefore, to the interesting fact that at each annual election of directors certain of the ordinary policy-

holders and the stockholders of this company have the right to vote, under charter provisions which so far modify the procedure of strictly stock corporations as to constitute at least a substantial recognition of the theoretical advantages of the mutual idea, without at the same time involving a complete abandonment of those fundamental virtues which reside in the system of stock ownership. In the evolution of modern business the potentialities of such a plan of organization as the Metropolitan follows are deserving, I think, of very serious consideration.

The administrative officers of the company whose directors are chosen in the manner I have mentioned, seem to me not to have approached their task with any bias in favor of stockholders as against policyholders, or the reverse — as might very well have been the case if one or the other of these elements had been in complete control of the company. Rather they have shown a desire to harmonize the interests of both elements for the general good of the organization. In this they have been very successful. They have so increased the assets of the company as to make these equal the resources of many states and even nations. They have at the same time steadily cheapened the cost of insurance to policyholders, both by direct means and by the distribution of bonuses. They have extended the company's business to such an extent as to bring it into contact now with approximately one-eighth of the population of the entire United States. That this notable growth has involved no sacrifice of efficiency in the handling of administrative details, but on the contrary has been the direct result of constantly increasing efficiency, is shown by the comparatively small losses sustained by the company in proportion to the large investments made, by the high earning power of the company's securities, and by the steady decrease which has been taking place in the percentage of managerial expenses to the company's premium income. The fact that the percentage of lapses due to the abandonment of their insurance by policyholders is constantly decreasing, speaks eloquently to the same effect. This last-mentioned development is perhaps the most convincing evidence which could be offered that the company's policyholders are, broadly speaking, very well satisfied indeed with what they get in return for the premiums they pay.

A very remarkable showing, altogether. It is very largely explained, it seems to me, by the fact that those in control of these great companies realize today that such institutions must shoulder responsibilities to the community at large of a somewhat different order from those which confronted them when they were engaged in business in only a small way, and that the affairs of such companies simply cannot be administered in a spirit which takes only the business side of things into account. This fundamental change in attitude on the part of great business institutions which have come up from small beginnings need not, it seems, be accompanied by any actual changes in the legal status or character of such organizations. In the case of the Metropolitan there have been no vital changes in the company's corporate character for many years. Under its system of joint control by stockholders and ordinary policyholders, it has been able very effectively to rise to the occasion and to bring about all the changes in its methods of doing business which a continuous growth has from time to time necessitated. It is difficult to see how, if the burden of the administration of such institution as this had during the past twenty years been upon the shoulders of the public, the institution could have been made a particle more responsive than it is to the constantly changing requirements of our time. If the men in charge of such a company grow reactionary in their tendencies, or blind to the social progress of the age, the movement toward an absorption of their powers by the State itself will, as matters stand, proceed very rapidly. But in the case of the company under consideration there has been such a frank and fearless recognition of its new responsibilities that it is easy enough, after all, to understand how it has happened that in the field of industrial insurance the movement toward state operation and ownership has experienced a set-back. Having very promptly recognized what the public may rightfully require from institutions engaged in the industrial insurance business—having in fact been largely instrumental in educating the public to a full realization of what it might rightfully require—this company waited for no changes in existing law before striking out as a

pioneer among insurance companies along the pathway of social service on a huge scale. The report of the examination which has just been completed shows the extent and ramifications of these departures. The many admirable things which have been accomplished for policyholders and employees during the past decade, are set forth in considerable detail in the following pages. Leaving out of consideration the mere numbers of those who have been directly benefited by these activities, I think that the example which the Metropolitan has set to other great business organizations by its early recognition of the new responsibilities attaching to all business enterprises which have attained a certain size, is one of the most beneficial of recent occurrences in the field of American business. In carrying out some of its remarkable projects of social betterment, like the establishment of its tuberculosis sanatorium for the home office and field employees of the company, it has had to overcome many obstacles, even to the extent of invoking court aid to enable it to proceed. Fortunately our court of last resort in New York was progressive minded enough not to withhold its assistance in this worthy enterprise. The tuberculosis sanatorium is now an accomplished fact. But for years before this happened, the company had, by means of educational literature distributed on a gigantic scale, been waging effective warfare against the dread evil of tuberculosis. For years it has through its publications upon the question of health conservation been serving multitudes of people as a sort of university of beneficial instruction upon this most important subject. For years it has maintained for its policyholders a nursing service upon a great scale; this has latterly become a veritable marvel of efficiency and practical helpfulness. I have mentioned only a few of the things the company has been doing in the field of social service, but I think that these will sufficiently show the extent to which this institution has recognized the modern truth that organized wealth under private management must, if it is going to be allowed to exist at all, assume certain public responsibilities which were not dreamed of under any of the old philosophies.

Now as to my purpose in dwelling upon these matters in a memorandum like this. It is not, let me hasten to say, primarily for the purpose of praising the Metropolitan Life Insurance Company or its present management that I mention them. It simply happens that this great institution — having so very recently been under our critical scrutiny, and presenting so many admirable illustrations of what an efficient and enlightened modern business organization on a large scale can do in the way of keeping abreast of modern thought — seems to be in a position where I may properly use it as an illustration of the particular point I had in mind when I decided to prepare this preface to the report of my examiners. My point is, of course, that private initiative and enterprise are at their best still capable of doing the finest possible work in fields from which, latterly, all the talk has been that these agencies should be compelled to retire. Those of us who have been more or less closely connected during the past few years with the work of the State are in a position to realize better perhaps than many others are, the strength of the tide that is setting nowadays in the direction of what is commonly called Socialism — by which I mean, of course, the taking over by the State at the earliest possible moment of nearly every form of productive activity. We have been in a position, too, where we could plainly see some of the evils which creep very insidiously into all public administration of large and complicated affairs. Upon me the effect of the experience has been to make me disinclined to see the movement toward State omnipotence proceed a bit faster than it has to. Rather would I see the people pause every now and then before such an example of private enterprise as we are here considering, and consider soberly whether, in the long run, good is going to come from substituting political administration in place of the kind of private administration which can apparently be secured for such companies nowadays — and which can be safeguarded, of course, to any extent the State may desire by a system of efficient governmental supervision. The Metropolitan Life Insurance Company is only one of several great insurance organisms of which substantially the same things which I have said with par-

ticular reference to this one company might be said generally. The Metropolitan Life Insurance Company is by no means a unique example among business institutions, or even among insurance companies, of modern and enlightened business management. Institutions like this constitute the most effective barriers we have to-day against the too rapid spread of socialistic ideas; and that is why, with so shining an example at hand, I — who believe in making haste slowly in the field of political evolution, even to the extent of putting on the brakes occasionally — have not been able to resist the temptation of pointing specifically to it in proof of what private enterprise is capable of accomplishing for the public good in the insurance field.

A handwritten signature in dark ink, appearing to read "W. T. Emmet", enclosed within a large, stylized, horizontal oval flourish.

Superintendent of Insurance.

STATE OF NEW YORK — INSURANCE DEPARTMENT

NEW YORK OFFICE: 165 Broadway

New York, *January 7, 1914.*

HON. WILLIAM T. EMMET, *Superintendent of Insurance, Albany,
New York.*

SIR.— An examination of the METROPOLITAN LIFE INSURANCE COMPANY has been completed and a report showing the condition of such company's affairs as of December 31, 1912, is herewith respectfully submitted. This examination was made pursuant to your appointment No. 3090, dated December 7, 1912, and has been in progress since December 13, 1912.

The last examination of this company was made by the department as of December 31, 1909, the report thereon being dated February 6, 1911.

The following summary of the company's operations during the three years since the last examination is taken from its annual reports:

	1910	1911	1912
Ledger assets Dec. 31, 1909..	\$269,971,968 85		
Ledger assets Dec. 31, 1910..		\$305,692,726 65	
Ledger assets Dec. 31, 1911..			\$343,802,304 59
Premium income — Ordinary.	\$27,890,894 49	\$31,036,432 44	\$34,274,476 80
Industrial.	48,931,897 10	51,303,413 60	54,826,526 37
Gross interest and rents....	13,508,374 53	15,513,887 69	17,272,843 87
Other income	448,673 31	281,539 98	412,226 48
Total income	\$90,779,839 43	\$98,135,273 71	\$106,786,073 52
Forward	\$360,751,808 28	\$403,828,000 36	\$450,588,378 11
<i>Disbursements</i>			
Paid policyholders	\$31,290,623 97	\$34,421,570 49	\$35,819,644 04
All other items.....	23,768,457 66	25,604,125 28	27,574,345 38
Total disbursements	\$55,059,081 63	\$60,025,695 77	\$63,393,989 42
	1910	1911	1912
Balance ledger assets.....	\$305,692,726 65	\$343,802,304 59	\$387,194,368 69
Non-ledger assets	10,666,302 66	11,229,627 95	12,873,824 98
Gross assets	\$315,759,029 51	\$355,031,932 54	\$400,068,213 67
Less non-admitted assets....	1,843,857 12	2,018,455 18	2,154,770 96
Admitted assets	\$313,915,172 39	\$353,013,477 36	\$397,913,442 71
<i>Liabilities</i>			
Reserves	\$270,380,929 00	\$306,442,065 00	\$348,506,939 00
Other liabilities	12,865,321 36	13,631,942 49	14,563,532 06
Capital stock	2,000,000 00	2,000,000 00	2,000,000 00
Surplus	23,668,922 03	30,939,469 87	32,842,971 65
Total liabilities	\$313,915,172 39	\$353,013,477 36	\$397,913,442 71

From the policy exhibits for the same years, the following figures are taken:

*Number of Policies**Ordinary Department, including Intermediate and Special Class:*

	1910	1911	1912
In force Dec. 31, 1909.....	738,472		
In force Dec. 31, 1910.....		822,980	
In force Dec. 31, 1911.....			906,751
Issued, revived, etc.....	175,629	183,149	209,580
After transfers	912,101	1,006,129	1,116,331
Deduct ceased	89,121	99,378	106,708
In force at end of year..	822,980	906,751	1,009,623

Industrial Department:

In force Dec. 31, 1909.....	9,885,207		
In force Dec. 31, 1910.....		10,465,074	
In force Dec. 31, 1911.....			11,100,387
Issued, revived, etc.....	1,691,860	1,759,564	1,847,099
	11,577,067	12,224,638	12,947,486
Deduct ceased	1,111,993	1,124,251	1,120,067
Outstanding end of year.	10,465,074	11,100,387	11,827,419

*Amount of Insurance**Ordinary Department, including Intermediate and Special Class:*

	1910	1911	1912
In force Dec. 31, 1910.....		\$703,252,264	
In force Dec. 31, 1911.....			\$803,016,361
Issued, revived, etc.....	168,248,756	182,785,079	197,530,539
After transfers	\$774,952,457	\$886,037,343	\$1,000,546,900
Deduct ceased	71,700,193	83,020,982	90,283,036
Outstanding end of year.	\$703,252,264	\$803,016,361	\$910,263,864

Industrial Department:

	1910	1911	1912
In force Dec. 31, 1909.....	\$1,435,247,999		
In force Dec. 31, 1910.....		\$1,512,599,124	
In force Dec. 31, 1911.....			\$1,596,861,726
Issued, revived, etc.....	264,658,041	277,544,014	290,636,815
	\$1,699,906,040	\$1,790,143,138	\$1,887,498,541
Deduct ceased	187,307,816	193,281,412	192,796,303
In force end of year....	\$1,512,599,124	\$1,596,861,726	\$1,694,702,238

<i>Dec. 31, 1912.</i>	<i>Number of Policies</i>	<i>Amount</i>	<i>Average Policy</i>
Ordinary Department	1,009,623	\$910,263,864	\$901 59
Industrial	11,827,419	1,694,702,238	143 29
Totals	12,837,042	\$2,604,966,102	

In the three years, the ledger assets of the company have increased from \$269,971,968.85 to \$387,194,388.69; its reserve liability from \$237,213,384 to \$348,506,939. In the same period, the number of policies has grown from — Ordinary, 736,472; Industrial, 9,885,207; total 10,621,679,— to Ordinary, 1,009,623; Industrial, 11,827,419; total 12,837,042. Similar figures for insurance in force are: 1909 — Ordinary, \$606,703,701; Industrial, \$1,435,247,999; total \$2,041,951,700. 1912 — Ordinary, \$910,263,864; Industrial, \$1,694,702,238; total \$2,604,966,102.

On December 31, 1912, the company had in its service 3,566 clerks at the home office and some 11,434 superintendents, assistants and agents in the field, including the Pacific Coast. There were some 120 employees at the Pacific Coast head office and some 400 agents in its territory. The agency work is divided into districts. Including the Pacific Coast head office, there were 413 district offices, and, in addition, 385 detached assistants' offices. Nine thousand six hundred and thirty-one agents reported through the districts of the home office, in addition to the 400 odd agents of the Pacific Coast head office. Each agent is required to submit weekly reports for industrial, intermediate and ordinary business. These reports are forwarded to the home office weekly by the district superintendent or assistant, and proper entries therefrom made in the home office records.

In addition to the large amount of ordinary and intermediate business transacted, there are in the industrial department from 35,000 to 40,000 policies issued weekly. The applications are turned over to the medical examiners from the local offices and forwarded by the examiners to the home office, where they are examined and passed upon by the home office medical department.

In the case of accepted applications, policies are written, accounting entries made and the policies sent out to be delivered through the local office and its agents to the insured. An average of 550 death claims are handled at the home office daily, the greater part of same being paid the day completed proofs are received.

The industrial policies are weekly premium payment policies. A record must be kept of the issues, terminations and weekly collections of premiums, etc., on all of the 12,000,000 policies in force. In addition to the above, there are constant changes, transfers from district to district, surrenders of policies for cash, paid-up, etc., all requiring action and record at the home office.

It follows of necessity, by reason of the nature of this business and its week to week changes, that the amount of detail involved is very great. It also follows that a check on this detail, involving a minute examination of all items would be a physical impossibility, with the force and time available for the examination.

We have, however, endeavored to make a thorough investigation of the various asset and liability items, as reported in the statement, together with a check of the income and disbursements as reported. We have also attempted to analyze the methods and systems of the company in its treatment of policyholders. There are some items and certain clerical methods, as will appear in the report, which seem to the examiners to require change. In general, however, the records kept are correct and the policyholders receive that to which they are entitled by their policies, and also valuable voluntary concessions and services hereafter referred to in this report.

Historical

The charter under which the company now operates was granted to the "National Travelers Insurance Company," by virtue of an Act passed by the Legislature of the State of New York on June 24, 1853, and amendments thereto. The formation of the company was authorized by chapter 286 of the Laws of the State of New York, passed April 9, 1867. This act has been amended from time to time. In 1868, the name of the company was changed to the "Metropolitan Life Insurance Company."

By chapter 437, passed May 17, 1883, the company was given permission to divide its business into two departments, the books and accounts of which were to be kept separate and distinct and known respectively as Ordinary Department and Industrial Department. Such separation is now maintained and will be referred to later in this report.

The most recent amendment was made May 2, 1913, pursuant

to the provisions of section 52 of the Insurance Law of the State of New York, as amended by chapter 48 of the Laws of 1913. In addition to the powers already granted, the company is to have the power of making all and any of the following kinds of insurance: 1. Health, 2. Accident and Disability, 3. Liability.

Organization

By its charter as amended, the corporate powers of the company are vested in and exercised by a board of directors and such officers and agents as the board may appoint and empower. The directors must consist of at least thirteen and not more than twenty-five persons, a majority of whom must be citizens of the State of New York. The present board consists of twenty-five persons. Two-thirds of the directors must hold in their own right, or in a representative capacity, a majority in amount of the capital stock of the company. This capital stock consists of \$2,000,000, divided into shares of the par value of \$25 each. The remaining one-third of the directors may be such persons as shall hold life or endowment policies in the company, on which they shall pay premiums of at least \$100 per annum, or shall be entitled to an annuity of at least \$100 per annum from the company.

Since April 22, 1902, the right to vote has been extended to policyholders whose policies have been a year or more in force.

At the annual meeting held April 2, 1913, there were cast for the election of directors 217,729 votes. Of these, 75,683 votes were those cast as stockholders, and 142,046 by policyholders.

The board of directors meets monthly or oftener on special call. The board has two standing committees appointed by the president with its concurrence, namely — Finance, consisting of six members; and Auditing, consisting of three members. These committees, and also the board of directors, each keep records of their proceedings. The standing committees meet at the call of the president, and, in addition, may prescribe stated meetings.

It is the duty of the Auditing Committee to examine all vouchers and audit accounts, bills and expenses of the company.

It is the duty of the Finance Committee to examine and have general supervision over all the credits, vouchers, funds, property, investments and financial affairs of the company. Allowances to

sick or disabled employees are authorized by the Finance Committee. During the year 1912, seventy meetings of the Finance Committee are reported.

The practice, referred to in the 1909 report (page 68), of authorizing purchases of securities by blanket resolution is still followed. This resolution is as follows:

"On motion, it was Resolved, That the officers be and they hereby are authorized to purchase bonds of issues now held by the company that are legal investments to an amount not to exceed \$500,000; such purchase shall be duly reported to this committee."

Investments are authorized to be made in the name of the company in its corporate capacity. Such investments are allocated to the various departments, ordinary, intermediate and industrial, by the officers. In making this allocation, the officers take into account the funds on hand in the respective departments and also whether or not the investment to be made is in addition to present holdings of the same securities. In the latter case, subsequent purchases are allotted to the department which already owns the same security.

Officers

The officers of the company are as follows:

<i>Office</i>	<i>Name</i>	<i>Salary (1912)</i>
President,	John R. Hegeman.....	\$90,000
Vice-President,	Haley Fiske.....	85,000
Second Vice-President,	George H. Gaston.....	38,500
Third Vice-President,	George B. Woodward.....	29,000
Fourth Vice-President,	Frank O. Ayres.....	24,000
Fifth Vice-President,	F. F. Taylor.....	16,000
Sixth Vice-President,	Lee K. Frankel, Ph. D.....	17,000
Treasurer,	Frederick H. Ecker.....	40,000
Assistant Treasurer,	Henry W. George.....	6,500
Secretary,	James S. Roberts.....	11,000
Assistant Secretary,	George B. Scott.....	11,000
Assistant Secretary,	James V. Barry.....	13,000
Assistant Secretary,	John R. Hegeman, Jr.....	6,000
Assistant Secretary,	J. J. Thompson.....	5,000
Assistant Secretary,	T. R. Richardson.....	5,500
Assistant Secretary,	George C. Penhallow.....	7,500
Actuary,	James M. Craig.....	29,000
Assistant Actuary,	Charles G. Reiter.....	9,000
Assistant Actuary,	James C. Brown.....	6,000
Assistant Actuary,	James D. Craig.....	5,150

<i>Office</i>	<i>Name</i>	<i>Salary (1912)</i>
Assistant Actuary, Raymond V. Carpenter (1913).....		\$5,200
Comptroller, Walter Stabler.....		18,000
Medical Director, Thomas H. Willard, M. D.....		17,000
Medical Director, Augustus S. Knight, M. D.....		17,000
Assistant Medical Director, W. S. Manners, M. D.....		7,760
Assistant Medical Director, E. M. Holden, M. D.....		7,760
Assistant Medical Director, D. M. Gedge, M. D.....		6,250
Assistant Medical Director, J. Bergen Ogden, M. D.....		7,500
General Counsel, Stewart L. Woodford (deceased).....		
General Solicitor, William J. Tully.....		20,000
General Attorney		
Auditor, Walter R. Quick.....		5,760

The president and vice-president are elected for one year, or until a successor is elected by the board of directors. Other officers are appointed by the board and hold office until their successors are appointed.

The officers and their respective duties are practically the same as at the time of the last report. Three new offices have been created. A sixth vice-president is now in charge of the welfare and health work. This was formerly handled by an assistant secretary, who was under the vice-president. The offices of auditor and assistant treasurer have been established. Their duties are such as may be designated by the president, vice-president or treasurer.

Administrative Subdivisions

The company maintains two offices of issue. The greater part of its business is done through the home office in New York City. The meetings of the board of directors are held there and the executive offices are located there. The general administration of the company is conducted from the New York home office.

The Pacific Coast head office is authorized to make loans on policies, but apart from this, all investments are made through the home office.

The other office of issue is at San Francisco, California, the business being in charge of one of the assistant secretaries of the company.

In both offices, the business is divided into two main subdivisions: (1) Ordinary — This includes the intermediate branch, special class and reinsured ordinary business. (2) Indus-

trial — This covers all business, including reinsurance, on which premiums are collectible weekly.

This subdivision is made pursuant to the provisions of the charter already noted. This provision gave permission to divide the business into two departments, the books and accounts of which should be kept separate and distinct. This subdivision of accounts is carried further by the separation of the business and accounts of the intermediate branch of the ordinary department. At the end of the year, the transactions in this branch are combined with the ordinary for statement purposes. In maintaining this subdivision, the company keeps three complete sets of accounts, Industrial, Ordinary and Intermediate branch. A general ledger for each is kept and the assets and liabilities allocated to each. There is also a ledger for the industrial business at the Pacific Coast head office.

These four ledgers are required to make up the annual statement of the company.

In both ordinary and industrial departments, the work is divided according to territorial location into eight sections and the Pacific Coast.

The work of the intermediate branch is kept separate from that of the ordinary, and is in charge of the intermediate manager. The methods employed, accounting and actuarial, except in some details, are the same as those in the ordinary.

The methods of handling the issues, terminations, premium collections, etc., of an ordinary policy are largely the same as those in the intermediate and special class. Because of the different nature of the business, the industrial department methods are noticeably different. Charges of a general character for the company as a whole, the making of investments, care of its buildings, etc., are handled through the industrial department, proper charges or credits for same being transferred to the other departments on memoranda.

For purposes of examination, it was necessary to divide the work into three parts at the home office. That is, Ordinary Department, Intermediate Branch and Industrial Department. Examiners were also detailed to San Francisco to examine the accounts of the Pacific Coast head office.

Accounting

Ordinary and Intermediate: The principal books of account in the ordinary department are:

1. General ledger.
2. General cash book.
3. Blotter.

Subsidiary to these are:

1. Home office premium books, subdivided into window and mail.
2. Agency auxiliary cash book.
3. Policy loan auxiliary cash book.
4. Special class.
 - a. Cash book.
 - b. Blotter.
 - c. Ledger.
 - d. Fund book.
5. Covenant Mutual.
 - a. Cash book.
 - b. Blotter.
 - c. Ledger.
 - d. Fund book.
6. Vermont Life.
 - a. Real estate rental cash book.
 - b. Cash book.
 - c. Blotter.
 - d. Ledger.
 - e. Fund book.

There are also numerous books of record, including check books, balance books, expense analysis, memo of stocks and bonds, reinsurance, records of deposits, certificates of deposit, installment payments, premium loans, premium notes and dividends.

The accounting methods of the intermediate branch are practically the same as those of the ordinary department.

Industrial: In this department, the principal books of account are the general ledger, general cash book and blotter. In addition to these three main books of account, the following subsidiary books are in use:

Miscellaneous.
Printing and binding.
Commissary.
Renting section.
Real estate.
Surety bonds.
Section receipt and disbursement books A, B, C, D, E, F, G, and H.
Agents' deposits.

The general ledger contains the accounts necessary to make up the income and disbursements, ledger assets and ledger liabilities of the home office industrial department for the annual statement.

FINANCIAL STATEMENT

The examiners have prepared the following financial statement, covering the transactions for the year 1912. This statement has been subdivided to show the transactions of the ordinary department, including the intermediate branch, the industrial department, and the company as a whole.

Item	Income			Total for company
		Ordinary department	Industrial department	
5 First year's premiums on original policies, without deductions for commissions or other expenses, less first year's reinsurance.....	\$5,391,771 66			
6 Surrender values applied to pay first year's premiums.....	6,255 07			
7 Total first year's premiums on original policies.....		\$5,398,026 73		
8 Dividends applied to purchase paid-up additions and annuities.....	\$130,965 65			
10 Consideration for original annuities involving life contingencies.....	218,478 98	349,444 63		
12 Total new premiums.....		\$5,747,471 36		\$5,747,471 36
13 Renewal premiums, without deduction for commissions or other expenses, less amounts paid for reinsurance and renewals.....	\$27,146,868 68			
14 Dividends applied to pay renewal premiums....	1,367,388 90			
16 Surrender values applied to pay renewal premiums.....	11,327 23			
17 Renewal premiums for deferred annuities.....	1,427 17			
18 Total renewal premiums.....		28,527,011 98		28,527,011 98
18a Total industrial premiums received, including bonuses and surrender values applied in payment of premiums.....			\$54,826,526 37	54,826,526 37
19 Total premium income.....		\$34,274,483 34	\$54,826,526 37	\$89,101,009 71
20a Consideration for supplementary contracts not involving life contingencies.....		10,656 75		10,656 75
20b Certificates of deposit.....		2,545 63	13,761 45	16,307 08

	Ordinary department	Industrial department	Total for company
22 Ledger assets other than premiums received from other companies for assuming their risks.			
23 Gross interest on mortgage loans, less accrued interest on mortgages acquired during 1912..	\$3,397,196 24		\$2,000 00
25 Gross interest on bonds and dividends on stocks, less accrued interest on bonds acquired during 1912.....	2,761,341 56		\$4,476,553 92
26 Gross interest on premium notes, policy loans or liens.....	768,577 86		4,172,670 50
27 Gross interest on deposits in trust companies and banks.....	47,148 29	17,080 83	113,634 54
29 Interest on superintendent's bank accounts ..	13 25	4,799 58	3 23
30 Interest on deferred payments.....	1,919 42	111 13	
31 Discount on claims paid in advance.....			
32 Gross rent from company's property, including amount charged for company's occupancy of its own buildings.....	3,934 78	1,508,513 05	
33 Total gross interest and rents.....	\$6,980,131 40	\$10,293,366 78	\$17,273,498 18
35 Agents' deposits.....		74,207 82	74,207 82
35a Tax refund.....		4,436 64	4,436 64
35b Dividends suspended banks, \$13.02; conscience money, \$46.....		59 02	59 02
36a Fire insurance fund.....		25,673 83	25,673 83
37 Liquidation of unlisted assets.....		300 00	300 00
37a Arrears from property previously sold.....		30 68	30 68
38 Deposit account, bond and mortgage, interest and rents.....	63,041 67		63,041 67
40 From agents' balances previously charged off ..		410 93	410 93
41 Gross profit on sale or maturity of ledger assets, namely:			
(b) Bonds.....	\$403 62		
(c) Stocks.....	503 17		
	906 79	91,009 53	91,916 32

42	Gross increase, by adjustment, in book value of ledger assets, namely:				
		(b) Bonds	42,086 29	86,568 99	128,655 28
	Total income				
	Ledger Assets December 31, 1911		\$41,375,851 87	\$65,416,352 04	\$106,792,203 91
	Amount carried forward				343,802,304 59
					<u>\$450,594,508 50</u>
<i>Disbursements</i>					
1	(A) For death claims, less reinsurance and plus additions	\$6,379,511 31		\$17,865,622 38	
2	(A) For matured endowments, less reinsurance and plus additions	1,401,519 70		250,466 72	
3	Net amount paid for losses and matured endowments		\$7,781,031 01		18,120,581 70
4	For annuities involving life contingencies				
5	Premium notes and liens voided by lapse, less restorations			\$20,395 84	
6	Surrender values paid in cash or applied in liquidation of loans or notes			394,776 88	
7	Surrender values applied to pay new premiums			51,311 62	
	To pay renewal premiums			7,757 48	
	To pay industrial premiums			28,568 16	
9	Dividends paid to policyholders in cash or applied in liquidation of loans or notes				
	Cash bonuses on non-participating industrial policies				
10	Dividends applied to pay renewal premiums			1,556,559 93	
	Bonuses applied to pay renewal premiums on non-participating industrial policies				
11	Dividends applied to shorten the endowment or premium-paying period			3,751,653 52	
	Bonuses applied to shorten the endowment or premium-paying period on non-participating industrial policies				
					281 45

		Ordinary department	Industrial department	Total for company
12	Dividends applied to purchase paid-up addi- tions and annuities.....			
13	Sick benefits on assumed policies.....			
		\$130,965 65		
				
			\$204 00	
14	Total paid policyholders.....	\$4,107,183 30	\$5,811,508 88	
15	Expense of investigation and settlement of policy claims.....	\$11,888,214 31	\$23,932,090 58	\$35,820,304 89
16	Paid for claims on supplementary contracts not involving life contingencies.....	10,299 33	18,324 56	28,623 89
	Certificates of deposit.....	16,704 31	.....	16,704 31
18	Paid stockholders for dividends.....	.....	4,976 60	4,976 60
19	Commissions to agents, first year's premiums. Renewal premiums.....	.....	140,000 00	140,000 00
	Original annuities.....			
	Renewals.....			
		\$1,539,275 63		
		1,904,623 05		
		3,829 32		
		80 73		
20	Commuted renewal commissions.....	3,447,808 73	.....	3,447,808 73
21	Compensation of managers and agents not paid by commissions for services in obtain- ing new insurance.....	100 00	.....	100 00
21a	Compensation in the industrial department to superintendents, assistants and agents.....	22,352 34	.....	22,352 34
22	Agency supervision and traveling expenses of superintendents, except compensation for home office supervision.....	.....	12,152,123 23	12,152,123 23
23	Branch office expenses, including salaries of managers and clerks not included in Item 21	69,554 36	55,881 41	125,435 77
24	Medical examiners' fees.....	50,459 59	881,703 72	932,163 31
	Inspection of risks.....			
			\$204,287 60	
			378,294 58	
25	Salaries and all other compensation of officers, directors, trustees and home office em- ployees (3,566 in number).....	504,982 64	582,583 18	1,087,564 82
		1,328,687 81	2,135,546 01	3,464,233 82

26	Rent, including amount for company's occupancy of its own buildings.....	\$9,233 57	278,219 81	12,882 28	816,521 83	1,094,741 64
27	Advertising and subscription.....	160,534 79		96,243 54		
	Printing and stationery.....	22,049 17		53,084 11		
	Telephone, telephone and express.....	1,791 71		5,750 02		
	Exchange.....	101,566 07		38,502 30		
	Postage.....					
28	Legal expense, not included in Item 15.....		295,175 31		206,462 25	501,637 56
29	Furniture, fixtures and safes.....		12,627 50		15,898 21	28,525 71
30	Repairs and expenses (other than taxes) on real estate.....		13,397 92		49,883 04	63,280 96
31	Taxes on real estate.....		2,828 31		500,112 17	502,940 48
32	State tax on premiums.....		3,766 18		271,428 12	275,194 30
33	Insurance Department licenses and fees.....		440,679 07		729,940 92	1,170,619 99
34	Federal corporation tax.....		60 00		5,845 59	5,905 59
35	Municipal licenses.....		74,302 36		121,746 09	196,048 45
36	Agents' licenses.....	\$4,465 46		\$20,383 76		
		2,948 35		4,430 35		
37	Personal property tax.....		7,413 81		24,814 11	32,227 92
	Customs tax.....	\$702 79		\$1,392 84		
	Mortgage tax.....			2,100 51		
	Other taxes.....	308 25		400 00		
				1,657 41		
38	Other disbursements, as under:		1,009 04		5,550 76	6,559 80
	Surety bonds.....	\$45 00		\$3,379 64		
	Certificates of death.....	2,146 10		1,152 82		
	Home office travelling, miscellaneous.....	10,220 49		10,555 75		
	Convention.....	22,910 20		42,564 70		
	Nursing service.....			459,064 14		
	Adding machines, typewriters, etc.....			18,441 26		
	Allowances to sick, disabled and inactive agents and clerks.....					
	Books, papers, magazines, etc.....	7,955 69		196,444 90		
	Company's publications, calendars.....	10 72		2,334 85		
	Company's publications, "Metropolitans".....			88,400 14		
	Frames.....			131,852 36		
				1,865 05		

	Ordinary department	Industrial department	Total for company
Other disbursements, as under — <i>continued</i> :			
Investment expense.....	\$1,499 78		\$4,657 22
Library, circulating.....	570 06		1,484 63
Library, law.....	1,250 62		1,255 74
Medical division expenses.....		1,916 25	1,916 25
Repairs to fixtures, etc. (renting section).	13,981 48	38,641 77	38,641 77
Repairs to furniture.....	1 95	6,812 92	6,812 92
Service medals.....	4,201 59	5,431 16	5,431 16
Tuberculosis campaign.....		12,904 11	12,904 11
Examination by Insurance Department and accountants.....	1,283 32		2,402 75
Bronxville storage warehouse.....		844 85	844 85
Health and Happiness League.....		1,006 95	1,006 95
General welfare work.....		49,179 09	49,179 09
Flags.....		207 00	207 00
Repairs to vault doors.....		456 80	456 80
Vacuum cleaner.....		302 81	302 81
Medical attention to employees.....		475 81	475 81
Various contributions.....		1,371 25	1,371 25
Photos.....		845 50	845 50
English class.....		188 81	188 81
Towels.....		1,247 86	1,247 86
Insurance, home office building.....		880 00	880 00
Detective service.....		1,916 31	1,916 31
Fire protection, J. H. Derby.....		1,597 05	1,597 05
Life charts.....		300 00	300 00
National Life Underwriters Association.....		227 21	227 21
Inspection home office building.....		175 00	175 00
Rugs.....		1,021 75	1,021 75
Sickness and disability, A. W. Watson.....		496 00	496 00
Insurance Commissioners' dinner.....		317 54	317 54
Christmas gifts.....		741 00	741 00
Jefferson Life assumption.....		109 77	109 77
Unclassified.....	6,806 00		4,385 47
Metropolitan staff savings fund.....	21,752 12		96,866 74

Legislative expenses.....	4,367 33	5,391 95	
Association of Life Insurance Presidents, exclusive of amount charged to legis- lative and legal expenses.....	3,237 41	10,039 79	
Luncheon, home office employees.....	48,765 95	142,208 47	
Expenses in connection with annual elections.....	21,319 23	2,380 17	
Loss account, suspended banks.....	40 15	90 21	
Deposit account, interest and rents re- turned.....	70 60	25,148 23	
Suspense, unclaimed checks paid.....	2,045 60	971 56	
Agents' shortage.....	1,319 89		
Miscellaneous interest payments.....	525 44	15,346 01	
Laundry.....		2,507 08	
		<u>\$179,621 56</u>	<u>\$1,399,276 20</u>
45 Agents' balances charged off.....			766 22
46 Gross loss on sale or maturity of ledger assets, namely:			
(b) Bonds.....			31,321 23
47 Gross decrease by adjustment in book value of ledger assets, namely:			
(a) Real estate.....			587,527 60
(b) Bonds (amortization of premiums).....			44,991 30
			<u>587,527 60</u>
Total disbursements.....			<u>\$44,715,313 93</u>
			<u>\$63,400,119 81</u>
Amount brought forward, being income of 1912 plus ledger assets of December 31, 1911.....			<u>\$450,594,508 50</u>
Disbursements, 1912.....			<u>63,400,119 81</u>
Balance.....			<u>\$387,194,388 69</u>
<i>Ledger Assets</i>			
1 Book value of real estate.....			\$23,353,458 87
2 Mortgage loans on real estate.....			\$23,712,354 17
4 Loans to policyholders on this company's poli- cies assigned as collateral.....			93,444,105 00
5 Premium notes on policies in force.....			159,609,993 00
			88,988 57
			19,211,958 08
			796,450 61
			<u>1,044,620 84</u>

	Ordinary department	Industrial department	Total for company
6 Book value of bonds and stocks.....		\$105,047,385 93	\$177,784,419 34
Cash in company's office.....	\$40,365 35		\$18,898 38
Deposits in trust companies and banks, not on interest.....			72,187 96
Deposits in trust companies and banks, on interest.....	1,499,486 18	4,031,585 92	
10 Agents' balances, debit.....	\$39,945 58	\$15,271 98	
Agents' balances, credit.....	3,471 42	162,363 13	
Agents' balances, net.....			
11 Cash in transit.....	36,474 16	—	—
Renting section inventory and rents receivable	161,379 18	80,887 38	242,266 56
Advances to superintendents and assistants..	.....	28,699 90	28,699 90
Fire insurance premiums advanced, secured...	.....	7,050 00	7,050 00
	108 75	1,011 25	1,120 00
Total Ledger Assets, as per "Balance"	\$160,370,770 07	\$228,823,618 62	\$387,194,388 69
NON-LEDGER ASSETS			
13 Interest due on mortgages.....	\$54,368 99		\$19,163 42
Interest accrued on mortgages.....	880,794 36		1,143,778 12
14 Interest due on bonds.....			5,450 66
Interest accrued on bonds.....	1,069,462 86		1,479,467 11
16 Interest due on policy loans.....	144,452 30		13 00
Interest accrued on policy loans.....	357,303 69		2,306 51
Interest accrued on premium loans.....	2,071 89		
16a Interest accrued on premium liens.....			75,926 41
20 Rents due.....	39 16		8,075 21
20a Rents accrued.....	11 25		2,835 99
Total interest and rents due and accrued...	2,488,504 50	2,737,016 43	5,225,520 93

	New	Renewed			
25 Premiums due and unreported...	\$113,605 39	\$1,601,218 83	\$1,902,190 38		
26 Gross deferred premiums.....	954,524 35	5,568,990 42			
Totals.....	\$1,068,129 74	\$7,170,209 25	766,582 72		
Deduct loading.....	110,422 00	1,128,825 43			
29 Net amount of uncollected and deferred.....	\$957,707 74	\$6,041,383 82			
30 Salaries paid in advance.....					
		6,999,091 56		1,135,607 66	8,134,699 22
		3,603 00		.....	3,603 00
Gross assets.....		\$169,861,969 13		\$230,696,242 71	\$400,558,211 84
DEDUCT ASSETS NOT ADMITTED					
38 Agents' debit balances, gross.....		\$39,945 53	\$15,271 98		
41 Premium notes and loans on policies and net premiums in item 29 in excess of the net value of their policies.....			278,757 71		
43 Book value of ledger assets over market value, bonds not subject to amortization.....		190,601 90	1,300,822 46		
Stocks.....		42,455 17	282,742 62		
44 Renting section inventory and rents receivable in item 11.....			28,699 90		
45 Salaries paid in advance (item 30).....		3,603 00			
46 Accrued interest on premium liens included in Ledger Assets.....			75,926 41		
46a Amount by which liens are overstated on books, through error.....			97 55		
Total deductions.....		276,605 65		1,982,318 63	2,258,924 28
Total admitted assets.....		\$169,585,363 48		\$228,713,924 08	\$398,299,287 56

Liabilities, Surplus and Other Funds

	<i>Ordinary department</i>	<i>Industrial department</i>	<i>Total for company</i>
Net present value of all outstanding policies in force on the 31st day of December, 1912, as computed by the company on the following tables of mortality and rates of interest, viz.:			
1 Actuaries' table at 4 per cent. on all issues up to January 1, 1901, except as stated in 1A.....	\$33,445,877 00		\$39,225,156 00
Same for reversionary additions.....	91,092 00		.....
1A Actuaries' table doubled at 4 per cent. on all issues special class policies up to January 1, 1901.....	488,891 00		.....
Same for reversionary additions.....	150,378 00		.....
2 American experience table, 3½ per cent. on all issues from January 1, 1901, to January 1, 1913, except as stated below.....	99,852,378 00	53,326,562 00	.....
Same for reversionary additions.....	312,243 00	.....	.....
3 American experience table doubled at 3½ per cent. on all issues special class policies from January 1, 1901, to January 1, 1907.....	1,780,000 00	.....	.....
Same for reversionary additions.....	278,926 00	.....	.....
4 Standard industrial table 3½ per cent. from January 1, 1906.....	136 00	46,448,937 00	.....
Sub-standard industrial table, 3½ per cent. from January 1, 1907.....	.....	3,265,457 00	.....
Intermediate tables, 3½ per cent. from January 1, 1907.....	16,483,783 00	.....	.....
Special class table, 3½ per cent. from January 1, 1907.....	2,395,869 00	.....	.....
Contingent waiver of premiums in certain policies based on Hunter's disability table at 3 per cent. interest.....	6,769 00	.....	.....
5 Net present value of annuities (including those in reduction of premiums), viz.:	76,812 00	.....	.....
Actuaries' table at 4 per cent.....			

	American table, at 3½ per cent.	429,194 00			
	McClintock's table, at 3¼ per cent.	576,882 00			
	Total.....	\$156,368,230 00			
6	Deduct net value of risks of this company reinsured in other solvent companies.....	127,403 00			
8	Net reserve (paid-for basis).....	\$156,240,827 00	\$192,266,112 00	\$348,506,939 00	
9	Present value of amount not yet due on supplementary contracts, not involving life contingencies, computed by this company.....	125,457 00			125,457 00
10	Liability on policies cancelled and not included in net reserve, upon which a surrender value may be demanded.....	114,527 93			114,527 93
11	Claims for death losses due and unpaid.....		\$13,405 10		
12	Claims for death losses in process of adjustment or adjusted and not due.....	\$94,932 00	44,311 86		
13	Claims for death losses incurred, for which no proofs have been received.....	405,460 70	497,641 92		
14	Claims for matured endowments due and unpaid.....	15,392 00	20,228 62		
15	Claims for death losses and other policy claims resisted by the company.....	126,918 00	68,377 30		
17	Total policy claims.....	642,702 70	643,964 80	1,286,667 50	
18	Due and unpaid on certificates of deposits.....	3,866 38	20,244 95	24,111 33	
20	Premiums paid in advance, including surrender value so applied.....	104,552 08	1,377,886 54	1,482,448 62	
21	Unearned interest and rent paid in advance.....	44,848 59	1,296 11	46,144 70	
21 ^a	Interest and rents accrued, not due.....	84 44	4,588 17	4,672 61	
23	Commissions to agents, due or accrued.....	36,683 24		36,683 24	
25	Salaries, rents, office expenses, bills and accounts, due or accrued.....	15,393 51	106,679 44	122,072 95	
26	Medical examiners' fees, due and accrued.....	76,667 65	86,118 99	161,786 64	
27	Legal fees, due and accrued (estimated).....	9,000 00	10,000 00	19,000 00	
	Reserve for estimated amount hereafter payable for federal, state and other taxes, based upon the business of the year of this statement.....	586,621 65	938,378 35	1,525,000 00	

	Ordinary department	Industrial department	Total for company
31 Dividends or other profits due policyholders, including those contingent on payment of outstanding and deferred premiums.....	\$133,852 57	\$607,920 00	\$741,772 57
32 Dividends declared on or apportioned to annual dividend policies, payable to policyholders during 1913, whether contingent upon the payment of renewal premiums or otherwise.....	1,595,751 38	.....	1,595,751 38
Bonuses apportioned to non-participating industrial policies and payable in 1913.....	.....	6,281,571 00	6,281,571 00
33 Dividends declared on or apportioned to deferred dividend policies, payable to policyholders during 1913.....	13,436 26	.....	13,436 26
34 Amounts set apart, apportioned, provisionally ascertained, calculated, declared or held awaiting apportionment upon deferred dividend policies, not included in Item 33.....	565,716 37	.....	565,716 37
36 Reserve, for contingencies.....	.....	150,000 00	150,000 00
41 Reserve, fire insurance fund.....	.....	93,582 03	93,582 03
Special trust company deposit, mortgage loan.....	.....	13,438 70	13,438 70
42 Agents' cash deposits in lieu of bonds.....	.....	356,798 68	356,798 68
Unclaimed checks, etc.....	12,577 32	7,036 36	19,613 68
Deposit account, B-M, interest and rent.....	63,343 23	698 67	64,041 90
Total liabilities.....	\$160,394,909 30	\$202,966,240 35	\$363,351,149 65
Capital stock.....	.....	2,000,000 00	2,000,000 00
Surplus.....	9,200,454 18	23,747,683 73	32,948,137 91
Total.....	\$169,595,363 48	\$228,713,924 08	\$398,299,287 56

The postings to the ledger accounts were verified by means of schedules prepared from the cash book and journal. The various cash books were then checked by making a test of certain months, both as to footings and proper allocation of items. In making this test, vouchers and credit slips were examined.

Income

Premiums: A test check was made of the industrial premium income, by checking agents' collection books to superintendents' summaries of the collections of the district. These reports were traced to the premium account in the general ledger at the home office. In the ordinary department and intermediate branch, items of premium income were verified by test checks from the premium renewal cards into the agents' reports. Payments at the home office were also verified. These reports and payments were then checked into the general ledger premium account.

In the collection of industrial premiums the company allows a reduction of 10 per cent. to the policyholders who pay premiums direct to the home office or the various district offices. In the district offices, the reduction is allowed only when the premiums are thus paid continuously for one year.

Interest and rents — industrial: The examiners have added to the item "Interest on premium liens, industrial department," \$654.31, representing the interest on liens cancelled by lapse during 1912, the company purchasing the policies for the amount of the liens, plus the accrued interest, and have included a like amount in the disbursement, "Liens voided by lapse."

Disbursements

Branch offices expenses: The examiners made this item in the industrial department \$4.50 less than that reported by the company, due to an error by the company in charging this amount, which was paid for surety bonds, to agents' sundries, which comes under this line. Payments for surety bonds should be included in home office expenses.

Line 27: Items of printing and stationery and exchange have been increased by the examiners in an aggregate of \$902.75. This

represents expenses of the Staff Savings Fund, which were erroneously charged to that account on the home office books instead of the above item. The item of Staff Savings Fund, under line 38, has been decreased in a like amount.

In the industrial department, the expense item for express has been decreased by \$3.50, this amount being added to convention expense included in the home office expense.

Commissary department: The accounts of the commissary department were examined and verified. The accounts of this department, from which the cost of service per meal is determined, are kept on an incurred basis. The net cost for the year 1912 was \$185,313.80; the rental value of space occupied, 28,707 sq. ft., \$50,030; making a total of \$235,343.80. Eight hundred and forty-seven thousand three hundred and ninety-three meals were served at a net cost of 21.868 cents per meal. Including rent, the cost was 27.773 cents.

The accounts of the printing and binding division, staff savings fund, renting section, etc., were also examined and are referred to elsewhere in the report.

Expense analysis: In connection with the examination of vouchers, a test of the distribution of expenses was made and same were analyzed and the allocation of all receipts and disbursements verified for the following periods and books:

MISCELLANEOUS CASH BOOKS

January, 1912.
April, 1912.
August, 1912.
November, 1912.

SECTION RECEIPTS AND DISBURSEMENTS BOOKS

Section F, January, 1912.
Section C, March.
Section D, May.

A transcript of the totals by months of the expense analysis has been made. A few errors were found in the allocation of expenses.

Apportionment of salaries and expenses: At pages 90 and 91 of the printed 1909 report, reference was made to the basis upon which general salaries and expenses were divided between the three

departments and a new basis of allocation suggested. For 1912, the subdivisions were made on the following basis:

BASIS	Total	Industrial	Ordinary	Intermediate
1 Premium income: *Industrial, 62.10 per cent.; ordinary, 23.85 per cent.; intermediate, 14.05 per cent.	\$1,114,722 87	\$678,028 81	\$282,002 55	\$154,691 51
2 85 per cent. industrial; varying in ordinary and intermediate.	702,616 77	597,224 25	63,218 32	42,174 20
3 Basis of home office clerks: Industrial, 74.30 per cent.; ordinary, 13.75 per cent.; intermediate, 11.95 per cent.	307,733 40	228,645 92	42,313 34	36,774 14
4 Varying percentages, averaging industrial, 76.62 per cent.; ordinary, 14.28 per cent.; intermediate, 9.08 per cent.	347,405 00	266,212 03	49,638 09	31,554 88
5 Same as four but averaging: Industrial, 43.81 per cent.; ordinary, 25.42 per cent.; intermediate, 30.77 per cent.	246,182 67	107,857 35	62,592 38	75,732 94
6 Ordinary, 58.98 per cent.; intermediate, 41.02 per cent.	123,320 69	.....	72,735 42	50,585 27
Total averages: Industrial, 66.07 per cent.; ordinary, 20.14 per cent.; intermediate, 13.78 per cent.	\$2,841,981 40	\$1,877,968 36	\$572,500 10	\$391,512 94

* Includes certain salaries divided on proportions of non-participating premiums only.

The percentages of policies in force December 31, 1912, and premiums during the year in the three departments were:

	No. of Policies	Premium Income
Industrial	92.13%	62.10%
Ordinary	3.48	23.85
Intermediate	4.28	14.05

Assets

Cash in office was counted before the opening of business on January 2, 1913. Bank balances were reconciled with certificates furnished by the various banks and trust companies of deposit. Stocks and bonds were counted and mortgages and deeds to real estate examined and verified. The real estate is carried by the examiners at the company's figures, pending the results of departmental appraisals. Stocks and bonds are allowed in the statement at the valuation as audited by the insurance department. The various schedules of assets, A, B, D and E, were verified, both in toto and as to the inter-department subdivisions, including principal amount, interest, rent, etc.

Items 4 and 5 — policy loans, liens, etc.: These items are mainly in the ordinary department and intermediate branch. The loans made by the Pacific Coast head office are at that office and were verified in San Francisco. The home office loans were checked and found to be substantially correct. Two items, aggregating \$420, were omitted. The company's figures, \$19,122,969.51, have been used in the statement. Tests were made which established that the loans made were on policies in force, were not in excess of the reserve, and were made to the proper parties in interest.

Test checks were also made of interest paid in advance and accrued.

The item of premium loans is largely composed of premium loans on policies of other companies, the business of which has been reinsured by the Metropolitan.

The company did not compute the unearned or accrued interest on premium liens and notes. The items are respectively:

Unearned interest	\$4,338 48
Accrued interest	2,071 89

These amounts have been included in the examiners' statement.

Assets:

Line 10.—The company's report is \$30,691.20 for both departments. The examiners have made this item in the ordinary department \$36,474.16, and in the industrial a negative asset of \$147,091.15.

Line 11.—The company reported \$100,958.37. The examiners make this figure in the ordinary department \$161,379.18, and industrial, \$80,887.38.

Deferred premiums: Test checks were made of the accuracy of gross deferred premiums and the same was found to be substantially correct. Similarly, the gross amount of due and uncollected premiums was examined and the resulting differences found to be so small that they were disregarded by the examiners and the company's figures used in compiling the financial statement.

Industrial: Because of the nature of the contract, there are no deferred premiums in the industrial department. The gross uncollected premiums are computed from special reports sent in by the agents at the end of the year, to which is added the amount of one weekly debit. Test checks were made and the substantial accuracy of the gross and net uncollected premiums established.

Salaries paid in advance: The examiners have added in the non-ledger assets the item "Salaries paid in advance in the ordinary department, \$3,603." In preparing the annual statement, the company deducted this amount from the liability item, "Unpaid bills." The examiners have reported the liability item gross and deducted the asset item as an asset not admitted.

Liabilities

Death claims and matured endowments: The reserve for unreported death claims has been increased and included in liability on account of death claims rather than the \$450,000 reserve included in the contingent liabilities as reported by the company in line 36.

Surplus: As a result of changes made by the examiners, the surplus of the company is \$32,948,137.91 as against \$32,842,971.65 reported in the "Green Book" after audit by the insurance department. These changes are nearly all by reason of information received subsequent to the filing of the company's statement.

REAL ESTATE

On December 31, 1912, this company owned twenty-five parcels of real estate, consisting of the Metropolitan building or home office, the annex, thirteen office buildings in various parts of the country, a storehouse in the Bronx, eight parcels acquired through foreclosure, and a sanitorium. The total cost of these properties was \$26,731,390.94, and they are carried on the books of the company at \$23,721,810.71. As a result of appraisals by this department in 1910, the board of directors authorized the following reductions in book value, viz:

Home office building (during next five years).....	\$2,784,638 00
Annex building (during next five years).....	153,000 00
Washington building	5,611 98
Chicago building	6,636 69
Baltimore building at Columbus avenue.....	3,319 12
Boston building	4,598 29
Burlington building	9,456 54

The first two items are being charged off at the rate of \$556,-927.60 and \$30,600.00 each year respectively, and the rest were charged off in 1911.

Of the eight parcels acquired through foreclosure, seven have been acquired since the last examination. The other was acquired in 1907. A certificate of extension, from December 5, 1912, to December 5, 1917, has been granted on this property.

Two of the parcels were under contract of sale at the end of the year, and a third has been sold this year.

Home office and annex: The renting section has charge of the home office building and annex.

SCHEDULE "B"

Mortgages owned: All matters relating to mortgage loans are under the supervision of the treasurer, subject to the approval of the finance committee and the board of directors.

On December 31, 1912, the mortgages owned were found to be as follows:

<i>Department</i>	<i>Number</i>	<i>Amount</i>
Ordinary	399	\$35,685,618
Intermediate	202	30,480,270
Industrial	483	93,444,105
	1,084	\$159,609 993

Average loan, \$147,241.69.

Average interest rate, 5.296%.

General remarks: In cases of interest due over thirty days, interest on interest is paid.

The methods of making the loans, including the application for same, architect's services and the placing of insurance are the same as outlined in the 1909 report. The fire insurance is required to be placed through Dutcher & Edmister. The company's architect is Mr. D. Everett Waid.

RESERVES.

The reserve liability on policies in force in each of the three divisions of the company was verified.

Limitation of insurance: An examination and check was made of the computations from which the limitation as to amount of new ordinary business written by the company was arrived at. For the year 1911, the computation was made upon an incurred basis, but for 1912 a cash basis was used, as a result of which the

amount of new business permitted was increased by \$1,632,000. During 1912, the company exceeded the amount it could write, according to the provisions of the section, by \$670,538, which amount was deducted from the amount it could write in 1913.

TERMINATIONS

During the year 1912, by the company's policy exhibit, there were found the following terminations:

<i>Ordinary Department:</i>		
	<i>Number</i>	<i>Amount</i>
By death and maturity of endowments.....	9,622	\$7,801,031 00
All other terminations.....	97,066	82,482,005 00
	106,708	\$90,283,036 00
<i>Industrial Department:</i>		
	<i>Number</i>	<i>Amount</i>
By death and maturity of endowments.....	153,217	\$18,120,581 00
All other terminations	966,850	174,075,722 00
	1,120,067	\$192,796,303 00

Ordinary department: In connection with the verification and examination of terminations, a check was made to establish the accuracy of the policy exhibit. In addition to this work, the investigation included an examination of the company's methods used in closing out terminated cases, computation of surrender values and treatment of policyholders generally.

Policy exhibit.—Issues, revivals, etc., were checked in connection with the verification of the reserves. The figures in the policy exhibit for these items are taken from the classification register. The other items are made up from the various cancellation registers.

The accuracy of these records was established by a series of checks from the agents' reports, renewal cards and an examination of individual cases terminated.

Items 10 and 11 — Ceased by death and matured endowments.— The figures used in these items are taken from the cancellation registers. As elsewhere reported, only closed cases, either paid or rejected, are entered in these registers. At the end of the year, a schedule of pending claims is referred to the actuarial division and the amount of reserve on same deducted from the gross liabil-

ity called for by the classification registers. In setting up the policy exhibit, the starting figures for the insurance in force are the gross shown by the classification registers. Likewise, in arriving at the deductions, the amount ceased by death and maturity of endowments are the amounts paid during the year on such claims and endowments. Any difference from the face amount ceased by reason of compromise, rejection, etc., is termed a "forfeiture" and is included in item 14, "Ceased by lapse." During 1912, this balancing item of forfeitures amounted to—

Special class	\$4, 120 00
Ordinary	47, 022 00
Intermediate	24, 447 00
	\$75, 589 00

Item 12 — By expiry.— Expirations arise from—

- a. Regular term insurance.
- b. Automatic extended insurance.
- c. Expirations on matured endowments.

Policies were formerly issued, by which a portion of the face amount only matured as endowments. The balance was term insurance and expired with the maturity of the endowment. This is the explanation for item (c) above.

Item 13 — By surrender.—There were 36,339 policies for \$27,736,685 of insurance surrendered during 1912.

By far the greater part of the surrenders is for cash or in liquidation of loans. In case of an equity over the amount of the loan, on demand made, the policy is revived and again surrendered for the balance of the cash value represented by such equity.

Item 14 — By lapses.—There were 59,754 cases of lapses for \$52,778,970 insurance. This included, in the special class, dividend additions to the amount of \$6,316. It also included other cases of lapses in which a surrender value existed and might be demanded.

Item 15 — By decreases.—The amount of this item is derived from two sources:

- a. Changes to paid-up life or endowment.
- b. Extended term.

The first is self-explanatory. The second arises on account of a loan or indebtedness. The policy is extended for the net amount.

Items 6 and 7—Additions and deductions: Details of the Pacific Coast Head Office intermediate and special class transfers were not analyzed. The balance of the items were made up as follows:

- a. Changes to continued insurance—6,192 policies; amount of insurance—\$4,308,365.
 - b. Changes to paid-up insurance—928 policies; amount of insurance—\$215,206.
 - c. Regular changes—4,849 policies; amount of insurance—\$8,050,689.
 - d. Paid-up insurance reinstated—9 cases; amount of insurance—\$1,631.
 - e. Extended term reinstated—2,627 cases; amount of insurance—\$1,779,444.
 - f. Changed issue—785 policies; amount of insurance—\$816,804.
 - g. Pacific Coast head office, special class—1,041 cases; amount of insurance—\$768,817.
- Totals, 16,421; \$15,940,956.

(a). This includes policies changed or continued as extended insurance. Any indebtedness deducted from the face amount is charged off as a decrease (Item 15).

(b). This includes changes to paid up. The difference between the original and paid up is also charged off as a decrease.

(c). This includes changes from one kind of policy to another.

(d) and (e). This is the reverse of items (a) and (b). The amount previously charged off as a decrease is credited as a revival.

(f). Refers to changes of policy involving the issue of a new contract under a new number.

Item 3—Revivals: This is made up as follows:

Regular revivals	32,328	\$25,662,824
Extended insurance revived.....	.....	66,062
Paid-up insurance revived.....	.....	2,220
Dividend additions revived.....	.....	17,795
Mortuary additions revived.....	.....	1,709
Totals ..	32,328	\$25,750,610

Treatment of policyholders: After his policy is on the books of the home office, dealings with the policyholder are mainly through the correspondence division. Exceptions to this are in cases of loans and changes in method of premium payment. The greater part of the work of the correspondence division has to do with terminations.

A conservation division seeks to supplement the correspondence division in its efforts to conserve or revive business. It operates through a corps of inspectors. These inspectors take up cases after the agents have failed to collect premiums, and by personal interviews endeavor to effect revivals or arrange for a settlement under one of the policy options.

The following memorandum has been submitted by the company, covering its system of computing surrender values:

"On ordinary policies we have three sets of values, namely, those applying on all policies issued prior to January 1, 1901; those issued between January 1, 1901, and January 1, 1907, and those policies issued subsequently. Those applying on policies issued prior to January 1, 1901, are based upon the combined experience table with 4 per cent. interest and those applying on policies issued subsequently are predicated upon the American Experience Table with $3\frac{1}{2}$ per cent. interest.

"On all policies issued prior to May, 1897, no surrender values appear in the policies at all. From May, 1897, to August, 1899, the scale of values appearing in the policies was computed by taking 50 per cent. of the reserve for the third year and gradually increasing as the years go on. In August, 1899, a complete new set of surrender values was computed and was made retroactive. These values are in excess of the values computed in 1897 so that they may be used now for all policies issued up to and including December 31, 1900. In a majority of cases, they are considerably in excess of the values appearing in the policy. The scale of per cents. used in computing the various values is attached hereto as a separate memorandum.

"On all policies issued between January 1, 1901, and December 31, 1906, the same per cents. of the reserve were used in calculating the cash and loan values as were used in the last set of values on the old policies just mentioned, but changing from the combined to the American Experience produced new results. The actual figures as recomputed appear in the rate book.

"In computing the paid-up insurance prior to January 1, 1907, the general rule was to give proportionate parts in all cases where the premiums were paid for a limited number of years. On the Whole Life and on the Life Reduced Premium policies 75 per cent. of the reserve was used as the single premium to buy the paid-up insurance.

"The policy contracts, especially for the later years, contained a proviso for cash or paid-up options but there is no agreement to pay a cash value after the paid-up policy has been accepted. The company, however, has never stood on this technicality but has always given cash surrender values wherever the paid-up policy had previously been taken and for the last few years our practice in computing the cash value has been as follows: First, ascertain the reserve on the paid-up policy at the time request is made for surrender value and then give the same per cent. of this reserve as would be given on a similar policy provided no paid-up policy had ever been applied for, except in a few cases where this would give values too small, in which cases larger per cents. of the reserve are taken,

"Commencing with January 1, 1907, all values were changed to conform with the non-forfeiture law of New York State and a surrender charge was taken of \$25, or 20 per cent. of the reserve, whichever was the greater, provided the resulting values were not less than those already in our policies, in which event the surrender values were allowed to stand. In 1908 the non-forfeiture laws in several of the States having been changed to make the maximum surrender charge \$25 per \$1,000 of insurance, our values were all readjusted to conform with this change in the laws. The law of Louisiana makes the maximum surrender charge 20 per cent. of the reserve, and in order to have a uniform scale we re-calculated our values for the third time, making the cash, paid-up and extended insurance all have the same surrender charge, the maximum \$25 per \$1,000, or 20 per cent. if less, and as these values were in excess of those computed for 1907 and 1908, they were made retroactive on all policies issued in those years.

"On intermediate policies, the same system is generally effective but the values are based on different tables.

"On special class policies issued prior to 1907, the same values are given in dollars and cents for each \$1,000 or \$500 of gross insurance in the Ordinary or Intermediate branches and to this is added the entire value of all paid-up additions. On policies issued subsequent to December, 1908, the values are based directly from a different table."

Changes: In the case of changes involving a reduction in premium upon policies which have been in force three years or more, the company allows the insured the difference between the full surrender value under the two policies, either in cash or applied to future premiums. In cases involving a change from a lower to a higher premium, the change was made on the basis of the difference in reserve accrued to the date of change, the insured paying the amount necessary to bring the reserve on the old policy up to the amount of reserve required on the new.

In the case of a policy not three years old, the change was made on an accumulation basis. The insured was credited with the full premium payments on the original policy, from which were deducted the first year and renewal commissions, medical fees and the cost of insurance for the period covered by the premiums. Similarly, the insured was charged with the amount of premiums that would have been paid under the changed plan of insurance, and less the commissions, medical fees and cost of insurance.

Prior to April, 1912, on changes from the intermediate policies not over two years in force to the industrial, the company allowed 50 per cent. of the terminal reserve on a surrendered policy to apply on premiums on the industrial policy. Since then, the

accumulation method has been employed and one-half of any balance found to exist applied to pay premiums on the new industrial policy.

On changes from the ordinary department, one-half of such accumulated balance was allowed.

Examination was also made of surrenders for continued or automatic extended insurance. The company is now adopting the plan of giving paid-up insurance automatically to all policies, whether or not provided for by the policy contract, unless automatic extended insurance is provided for in the contract.

Lapse liability: The company, in its 1912 statement, carried a liability on lapses in the ordinary, intermediate and special class of \$114,527.93. This only applied to lapses on issues prior to 1907, and the liability thus set up represented company's lapses within six months prior to December 31, 1912, upon which there was an equity due policyholders. Test checks were made from the cancellation registers during the last six months of the year, into the schedules from which this liability was computed.

Industrial terminations: The same general plan of work was followed in industrial terminations that has been outlined in the case of ordinary and intermediate.

The policy exhibit was first analyzed and then sufficient individual cases examined to form a suitable basis on which to arrive at the company's method of treating policyholders.

Policy exhibit.—As in the ordinary exhibit, the amount ceased by death is the amount paid on claims during the year. The item "Ceased by lapse" is the balancing item necessary to give the balance in force at the end of the year, as shown by the classification registers. As prepared by the company for 1912, there were the following terminations:

	<i>Policies</i>	<i>Insurance</i>
10 By death	149,827	\$17,865,622
11 By maturity	3,390	254,959
12 By expiry	7,091	1,097,572
13 By surrender	41,761	6,768,270
14 By lapse	917,998	153,383,509
15 By decrease .....	.....	13,426,371
	1,120,067	\$192,796,303

Items 10 and 11 — By death and maturity.— As explained, this item represents only payments made during the year.

Item 12 — By expiry.— Whenever a paid-up term policy is issued in place of a lapsed policy, or whenever automatic extended term is operative, the original actuaries' card is cancelled and filed with other lapse cards. A new term insurance card is then written and filed and the data from same entered in the proper classification register. The cards on policies expiring the current year are filed by month of expiration. At the end of each month, the cards remaining after deaths and surrenders have been removed are entered in the register by district totals as expirations and the amount of same deducted from the classification registers. At the end of the year, a summary of all expirations, as shown in the district register, must clear the amounts shown in the classification registers.

Included in the termination by expiry was the difference between the term and endowment benefit of paid-up term and endowment policies. These policies, in most cases, provided for payment in case of death prior to maturity of one-half of the face of the policy. This difference, in the case of such policies upon which premiums were still being paid, was included in the item "lapses." It would appear that this difference is rather a decrease than either an expiration or a lapse.

Item 13— By surrenders.— The amount of this item was obtained from the surrender division register, in which is kept a record of each surrender value paid.

Item 13 is made up of the following classes of surrenders:

	Policies	Amount of Insurance	Amount Paid
(a) Surrenders for cash.....	21,042	\$3,437,505	\$411,387 54 H. O. 13,664 79 P. C. H. O.
(b) Surrenders for liens.....	15,596	2,486,291	19,741 53 Lapse 19,892 73 To Paid-ups
(c) Surrender at age 80....	207	15,366	8,900 92
(d) Surrenders — Extended premium credit	1,946	332,949	28,568 16
(e) Surrenders — Term	2,970	496,159	.....
	41,761	\$6,768,270	\$502,155 67

Endowment at age 80.— By special concession of the company, granted only from year to year, whole-life policies on which premiums have been paid for at least fifteen years and the insured has reached age 80, are treated as a matured endowment. When such concession is availed of by the insured and payment made, it is treated as a surrender of the policy. The full reserve upon the policy is charged to purchased policies and the difference between the reserve and the face of the policy is charged as a policy bonus.

During 1912, there were 207 policies for \$15,366 insurance surrendered in this way. The reserve on these policies amounted to \$8,900.92, and the difference, or \$6,465.08, was charged as a bonus payment. These items were traced to the records of the investigation division and verified.

Surrenders on paid-up policies issued for non-forfeiture value.— This item was made up of surrenders on paid-up policies, where the cash surrender values had been subsequently demanded. As such, these payments were already included in item (a), and, therefore, the totals of the policy exhibit under item 13 were excessive. The true figures for item 13, after correcting the errors noted, should be 38,722 policies for \$6,801,533. This difference is taken care of in the balancing item of lapses.

Item 14 — Ceased by lapse.— As already noted, this is a balancing item, being the difference between the total terminations obtained from the different sources already outlined and the sum of terminations obtained from the various division records.

Included in this figure is the difference between the actual amount paid on infantile policies and the maximum amount of the policy, which is the amount carried as in force. No record of individual cases of lapse is kept other than the weekly lapse schedules from agents.

Item 15 — Decreases.— This represents the difference between the face of the original policy and the reduced amount of paid-up policies issued in their place.

Paid-up.— Policy contracts generally contain a provision that application for paid-up insurance must be made within six months after date of lapse. In practice, however, the company does not stand on any limitation of time but will issue paid-up insurance on lapsed policies that have been the proper period in force, when-

ever application is made. The surrendered policy and book are returned to the home office and a new policy issued.

Purchased policies.—During 1912, there were purchased for cash by the company 21,042 policies for \$3,437,505 insurance, for which the company paid policyholders \$425,052.33. These may be divided into four subdivisions:

	<i>Policies</i>	<i>Insurance</i>	<i>Amount Paid</i>
(a) Two weeks' clause.....	1,570	\$257,843	\$942 40
(b) Lifted policies	1,855	290,704	11,112 58
(c) Cash surrender	17,285	2,829,566	405,215 71
(d) On claims	332	59,391	7,781 64
	21,042	\$3,437,505	\$425,052 33

(a) *Two weeks' clause.*—Policies now issued and those issued for several years past contain a clause by which, if unsatisfactory to the insured, the policy may be returned within two weeks of the date of issue and all premiums paid refunded by the company.

(b) *Lifted policies.*—This class of terminations arises from a number of causes, among which are overinsurance on infantile risks, failure to state previous insurance and refusal by the company to subsequently endorse permission to carry such insurance, misrepresentation of physical condition at the time the application was signed, the same being subsequently learned by the company, quarrels and disagreements between families and relatives as to the beneficiaries under the policies, dissatisfaction with the policy or other disagreement with the company.

(c) *Cash surrenders.*—Policies issued prior to 1907 do not provide for a cash surrender value, and on subsequent issues this value is payable after a policy has been in force for ten years. In practice, however, the company pays such values on policies three years or more in force where the circumstances of the insured or beneficiary are so needy as to seem to warrant this action. It also makes an exception in cases where it appears that the person or family is carrying more insurance than their means would warrant. Each case is investigated and decision rendered, according to the facts as reported to the home office.

Some thirty cases of purchased policies were taken, part from the lapses of the week examined, and part from cases selected from

the purchased policy register. The computations for the periods in force were checked and the values computed. Cases were noted where bonuses due were not credited or paid. Of the 22 cases examined for bonuses, three cases were noted where the bonus payments for 1912 were payable by a credit on the premium receipt book, but were not entered therein before the policy was purchased. In surrendering for cash, therefore, no additional value was given for the period covered by such bonus. The amounts involved were small.

(d) *Purchased policies on claims.*—This class of terminations usually arises on policies where the insured had disappeared, or where, for some reason, the connection between the assured and the beneficiary has been broken and it was not desired to continue the policy. The majority of cases are upon disappearances, which upon investigation indicate that the period of disappearance is not yet great enough to warrant presumption of death. Where the disappearance proved to be for a longer period than that required by the various state laws to substantiate such presumption, the claim is recognized for the full face of the policy. Where it is short of such period and the claimant insists upon discontinuance of the policy and does not care to take paid-up insurance, the company offers the full reserve to the date of the last premium payment as a surrender value. This settlement is not forced upon the beneficiary by the company, but usually is offered, at the request of the claimant and voluntarily accepted. Such offer is only made after a thorough investigation. Each case is treated on its own merits. The full reserve for the completed years and months of previous payments is allowed, according to the reserve standard at the time the policy was issued.

Lapse liability.—Liability on account of industrial policies lapsed upon which surrender value might be demanded was covered by an estimated figure of \$100,000, which was included in the special liability item 39 of the annual statement.

Lapse ratio.—As in the 1909 examination, computation has been made of the percentage of lapses on new business. This computation was made from two standpoints:

1. Issues for the weeks of December, 1911, were scheduled and the terminations at the end of each of the three months' periods

for the first year of issue determined. From this, percentages were computed, based upon number of policies so terminated and the amount of premiums terminated. A copy of this schedule is filed with the report. At the end of the twelve months' period, it shows that the rate of lapse, based upon number of policies, was 35.13 per cent., and based upon premiums was 36.85 per cent. Similar figures from the exhibit of the issues of May, 1909, filed with the report, were at the end of the year, 41.10 and 42.06 per cent., respectively.

2. The following statement was prepared, showing the percentage of industrial policies issued during 1910, 1911 and 1912 respectively, with percentage of cancellations at the end of each half year through December 31, 1912. In preparing this statement, it was assumed that the average date of issue was June 30th:

<i>Period Ending</i>	<i>Issue of 1910</i>	<i>Issue of 1911</i>	<i>Issue of 1912</i>
Dec. 31, 1910	24.5%	....	....
June 30, 1911	35.7	....	....
Dec. 31, 1911	40.6	22.7	....
June 30, 1912	43.6	34.0	....
Dec. 31, 1912	45.9	39.0	21.9

Similar figures for the issues of 1907, 1908 and 1909, at the end of each half-year period were as follows:

<i>Period Ending</i>	<i>Issue of 1907</i>	<i>Issue of 1908</i>	<i>Issue of 1909</i>
Dec. 31, 1907	29.4	....	....
June 30, 1908	43.5	....	....
Dec. 31, 1908	49.2	29.1	....
June 30, 1909	52.0	41.5	....
Dec. 31, 1909	54.1	46.3	25.5

The above comparisons show a constant and consistent improvement in the business of the company. This condition indicates first, an improved organization, and second, better satisfied policy-holders.

Claims

The investigation of the death claims and matured endowments, including items of income, disbursements and liabilities, may be briefly summarized as follows:

- (a) Method of handling industrial, ordinary and intermediate claims.
- (b) Test check of income and disbursements.

- (c) Examination of paid, rejected and contested claims.
- (d) Verification of Schedule "F" for the years 1910, 1911 and 1912.
- (e) Testing the sufficiency of the reserve fund for unreported claims.
- (f) Determining the liability for claims due and unpaid; in process of adjustment or not due; no proofs received; resisted; and matured endowments.

The following changes have been made in the liability reported by the company on account of policy claims:

Reserve for Unreported Claims:	<i>Company</i>	<i>Department</i>
(a) Industrial.....	\$380,921 56	\$403,297 44
(b) Ordinary and Intermediate.....	69,078 44	125,488 00
Matured endowments (Industrial).....	13,638 15	20,228 62
Pending (Intermediate)	27,084 00	27,284 00
Totals	\$490,722 15	\$576,298 06
Increase in liabilities.....	85,575 91	
	\$576,298 06	

It will be noted from the above table that the increase in the liability reported by the company on account of policy claims is for the most part attributable to claims occurring prior to December 31, 1912, of which the company had no knowledge.

The industrial claim department is divided into sections, each handling claims that arise in certain districts or territories.

All claims are paid either from the home office, after proofs are complete, or by field superintendents under a credit system, either before sending proofs to the home office, or by telegraph from the home office after receipt of proofs. Field superintendents are authorized to settle claims not exceeding \$300, after investigation by the superintendent or some one authorized by him. All claims in excess of \$300 are referred to the home office.

Paid claims: A test was made of the accuracy of this disbursement item. In making the check of paid claims, it was necessary to tabulate the debit and credit items of the claims, aggregate the net amounts paid, reconciling the result for each day with the miscellaneous cash book. While making the tabulations, the papers were also examined for the following items, namely, proper releases, correct endorsements, determining whether the amount paid was the amount called for by the contract, and verification of adjustments on account of overinsurance and misstatement of age.

Method of handling ordinary and intermediate death claims: When notice of death is received, the application is sent for, with all correspondence relating to the case in question. Separate registers are kept for the ordinary and intermediate departments. These registers are kept by months and entry is made as complete as possible from the information at hand. Claims not approved are referred to the manager of the claim division and before a case is officially rejected, the rejection is approved by the third vice-president, and the general solicitor of the company.

Rejected and compromised claims: A complete examination was made of the resisted and compromised claims constituting schedule "F" of the annual statement for the years 1910, 1911 and 1912. While the schedules for the most part were complete, a number of compromised and resisted claims were found which should have been reported. These omissions were probably clerical errors, as an examination of the papers revealed no evidence which would warrant the conclusion that they were wilfully withheld from publication. The company reported its resisted and compromised claims under four headings, namely:

- (a) Claims resisted prior to 1912 and compromised during 1912.
- (b) Claims resisted prior to 1912 and unsettled.
- (c) Claims resisted in 1912 and compromised.
- (d) Claims resisted in 1912 and unsettled.

There has been eliminated from schedule "F," under subdivision (b), any claim in which no movements to collect the same have been made during one year, and those claims in suit where no action has been taken toward prosecuting same within one year. If, however, an inspection of papers indicates, either by way of correspondence or by movements in the suit, that the claim was active, it was included in schedule "F." Cases on the calendar, which have never been reached, have been included.

An examination of the rejected files revealed claims which had been rejected, but subsequently paid in full, the complete history of which transpired between January 1 and December 31, 1912. Such claims would not be included in schedule "F."

The following table illustrates the comparatively few claims resisted by the company. These figures do not include the claims reported to the Pacific Coast Head Office:

INDUSTRIAL DEPARTMENT

Year	Number of Paid Claims	Number of Rejected Claims	Rejected Claims Subsequently Paid		
			In full	Compromised	Return of Premiums
1910	141,167	444	51	32	193
1911	144,817	364	33	34	108
1912	146,854	441	38	30	88

Percentage of claims rejected during 1912:

Ordinary	.0064%
Intermediate	.0080
Industrial	.0028

The company receives on the average about 550 claims a day. They are given prompt attention, the majority being paid the day proof of claim is received. During 1912, the payments on account of industrial claims, excluding mortuary bonuses, amounted to \$17,865,622.38 on 149,827 claims, or an average of \$119 per claim. The amount of insurance represented by rejected claims of 1912, based on this average, is \$52,479. Of this amount, some part is subsequently paid, either by the payment of claims in full, compromised, or the return of premiums. No analysis was made to show on what portion of the rejected cases no payment was made to the claimant.

At the Pacific Coast Head Office, claims are also handled with dispatch, the ratio of those rejected to claims received being practically a negligible quantity.

Rejections: It was noted in reviewing the resisted and compromised cases, that in most instances death had taken place within the contestible period.

Before a claim is officially rejected, a thorough investigation is made to secure additional evidence of medical history. The character of the evidence thus obtained constituted the basis either for rejection or payment. Should the medical history be bad, the claim is submitted to the manager of the claim division, and by him passed on to the third vice-president who either confirms the rejection or approves the claim for payment. If his decision is to reject the claims, it is then submitted to the general solicitor for final determination.

BONUSES

Bonus payments to industrial policyholders were inaugurated in 1897. These bonuses have only been declared upon issues prior

to 1907. There follows a table of the yearly bonus payments, 1894 to 1912, inclusive:

1894	\$40,208 00
1895	84,355 00
1896	199,148 00
1897	1,061,668 00
1898	863,801 00
1899	1,069,722 00
1900	928,399 00
1901	689,641 79
1902	670,746 50
1903	640,912 48
1904	790,077 43
1905	761,363 74
1906	1,846,587 44
1907	3,378,288 93
1908	2,876,891 64
1909	3,043,841 59
1910	4,811,479 32
1911	5,469,264 56
1912	6,100,906 90
Total	<u>\$35,367,293 32</u>

It would appear that it is the theory of the company in allowing such bonuses, to base the amount of same on the increase in surplus earned by the industrial department.

The amount of the bonuses varies with the period the policy has been in force and were payable only by credit in the premium receipt book at the district office. In districts where policyholders were situate remote from the district office, special arrangements were made to avoid hardship on account of this ruling.

Mortuary bonuses are paid in addition to the face of the policy when it becomes a claim or matures as an endowment, the amount of which varies with the period in which the policy has been in force.

Test checks were made upon the payment of bonuses, the policies of one debit of a district being used as the basis for this work.

A comparative statement for four years was prepared, showing the net cash cost to policyholders of industrial whole-life policies per \$1,000 for various ages.

The schedule of comparative average annual net cost shows that

policies one and five years in force, issued in 1911 and 1907, cost less in 1912 than policies that have attained the same duration in the years 1902 and 1897.

There was also prepared a comparison of the average annual and current net cost on industrial whole-life policies per \$1,000 of insurance for the years 1907 and 1912.

A comparative statement was also prepared to show the difference, plus and minus, between 1912 and the years 1907, 1902 and 1897 of the policies in force 1, 5, 10, 15, 20 and 25 years. For each of these years, policies issued at ages 15, 20, 30, 40, and 50 were taken.

Checks were made upon the liability items of bonuses due policyholders. These figures are based upon estimates, so that it was impossible to make a definite check upon the amount of liability set up. The basis of these estimates was investigated and the approximate accuracy of the estimate verified.

Dividends: Schedule "M" was verified. This applies more particularly to business issued in the intermediate branch.

Schedule "N"—Deferred dividends included dividends payable on special class policies. These dividends are payable in the form of paid-up additions as explained elsewhere.

It was found that liability item 34, "Amount set apart or provisionally ascertained, etc., \$405,716.37," included only deferred dividends to the credit of policies issued by other companies and assumed by this company. To this has been added \$160,000 reserve for accrued liability on policies issued by the company.

POLICY CONTRACTS

Industrial: Full medical reports, based upon examinations, are required in the case of lives where the insurance amounts to \$300 or over, and on medical inspections where the amount of insurance is less than \$300.

Intermediate: Most of the company's group insurance is issued through the intermediate branch. On December 31, 1912, there were 1,188 policies for \$594,000 insurance with premiums of \$34,780.12.

Ordinary: Various new policy forms were introduced in this department, including group insurance and loan insurance.

\$5,000 *whole life policies*: In May, 1909, the Metropolitan Life Insurance Company began to issue whole-life policies, premiums on which were based upon the American experience table, 3½ per cent. interest, loaded 1 per cent. on the net premium. These policies were to be issued only to selected risks and in amounts not less than \$5,000, the premiums to be paid on an annual basis.

The analysis of the experience of the whole-life policy was checked by the examiners. Errors in allocation were found and called to the company's attention. This analysis, as corrected, shows the following gains and losses for each of the four years last past:

<i>Year</i>	<i>Year of Issue</i>	<i>Net Profit for Year</i>	<i>Net Loss for Year</i>	<i>Surplus</i>	<i>Surplus</i>
1909	1909 . . . . .	.....	\$36,632 00	.....	—\$36,632 00
1910	1909	\$79,850 00	.....	.....	.....
	1910	.....	130,530 00	.....	—50,680 00
1911	1909	122,136 00	.....	.....	.....
	1910	44,322 00	.....	.....	.....
	1911	.....	80,546 00	\$85,912 00	.....
1912	1909	.....	155,614 00	.....	.....
	1910	169,891 00	.....	.....	.....
	1911	164,343 00	.....	.....	.....
	1912	.....	60,010 00	118,610 00	.....
		\$580,542 00	\$463,332 00	\$204,522 00	—\$87,312 00
				—87,312 00	
Net gains for all years December 31, 1912....				\$117,210 00	

A gain and loss exhibit is filed with the report, showing the sources of the foregoing surplus increases and decreases. From this exhibit is shown a decrease from year to year in the loss from loading. In issues other than that of 1909, there is a yearly increase in the gain from interest. The exception for the 1909 issues in the year 1912 is probably due to the loss in surplus on account of death claims under these policies of large amounts for that year on the 1909 issues. It is too early in the history of the policy to predicate any assumption as to lapses. At the present writing, the lapses and surrenders form a very small portion of the terminations.

WELFARE WORK

The health and welfare work of the company is in charge of the sixth vice-president. It is divided into (1) Visiting nurses' service; and (2) General welfare work.

(1) *Nursing service*: This department was started in 1909. In 1910, it was estimated that the cost of the nursing service, extended to all industrial policyholders, would be about \$500,000 per year. The 1912 statement shows disbursements during that year for expenses of curative aid to sick industrial policyholders of \$459,064.14. In addition to this, there was disbursed in the company's campaign against tuberculosis, \$12,904.11, and general welfare work, \$50,186.04. The totals of these expenditures amounted to something less than 1 per cent. of the industrial premium income in the same period.

From time to time since its inception, the nursing service has been extended. In October, 1910, it was reported that visits averaged from 25,000 to 30,000 per month at an average cost of 45 cents per visit.

In April, 1911, the officers were authorized to continue the service in such localities as they might deem best. The nursing service is now generally divided into districts, according to the general division of the agency force. At the beginning of the year, the service was in force in all but sixty-one of the towns or cities in which the company had an agency organization. These subdivisions are known as nursing centers and may include one or more of the agency districts. There were on April 28, 1913, according to the company's records, 637 nursing centers, from which were covered adjacent towns to the number of 792, a total of 1,429. These nursing centers were handled on the following bases:

	<i>Centers</i>
Contracts with visiting nursing associations.....	229
Contracts with hospitals.....	51
Contracts with individual nurses, of whom 71 were on salary and 286 on a fee basis.....	357
Total	637

It is planned to extend the service to the 61 centers not covered, as quickly as satisfactory arrangements can be made. The service is limited strictly to holders of industrial policies.

Plan of operation.—Industrial policyholders are furnished with mailing cards by the agents. These cards call for all necessary information concerning the policy, agent's name, etc. Cases requiring service are reported to the district office by mail or by the agent. Nurses visit the district office daily, collect the cards and make the initial call. The information on the card is verified by an examination of the policy, and the card mailed by the nurse to the home office. She also makes reports of her visits and the condition and ailments of the patients visited. Upon receipt at the home office, the card is checked with the application and the former attached to the latter, showing that the nursing service has been rendered the policyholder. This information is used by the medical department, in the event of subsequent application for additional insurance or revival, etc.

The service includes the actual care of the sick and instructions to the family in proper sanitation and nourishment. Reports on cases being treated are required to be made in order to prevent unnecessary calls in unimportant cases, or those which the home office may deem of such character as not to warrant the service.

Statistics are being compiled to determine the nature of diseases in certain localities, their causes and the effect on the mortality rate of the company.

The books and methods of the service at the home office were examined.

For 1912, the following figures are available:

Number of cases.....	131,090	
Number of visits.....	962,133	
Bedside cost of nursing.....		\$440,678 79
Policies in force in districts covered by the service.....	9,857,780	
Cost per patient.....		3.0361
Cost per visit.....		.458
Cost per policyholder.....		.0447

The total cost of the service on an incurred basis was:

Bedside		\$440,678 79
Expense printing	\$3,580 24	
Express	883 77	
Stationery	665 27	
Furniture	1,043 01	
Miscellaneous	59 23	
Salaries	22,077 59	28,309 11
Total nursing cost.....		\$468,987 90

(2) *Welfare work:* The welfare work in behalf of policyholders is to a large measure a matter of education on the subject of health and hygiene, through publications of various sorts. Such publications are usually in pamphlet form and are distributed to the policyholders through the agency force. Among these may be mentioned the "Metropolitan," published four times a year; "Child," "Teeth, Tonsils and Adenoids," and others covering means of prevention and treatment of tuberculosis, etc.

For its own employees, the company maintains its restaurant. referred to elsewhere in this report, a correspondence course of instruction in life insurance for its agents, a gymnasium, and the recently completed sanatorium at Mt. McGregor.

Sanatorium.—At the Mt. McGregor Sanatorium, the company gives treatment to its field force and home office employees suffering from tuberculosis.

The resolution to purchase the land was passed June 28, 1910. The contract for foundations was authorized in September, 1911. and additional land was purchased in 1912. Up to September 30, 1913, the following had been expended for land, buildings, etc.. as reported by the company:

Land	\$21,702 64
Construction account, including clearing of land, engineering expenses, architect, road building, legal fees, etc.	595,017 96
Furnishings	9,807 66
Total	<u>\$626,528 26</u>

STAFF SAVINGS FUND

The Staff Savings Fund and the rules governing its administration are described in the report on the 1909 examination. Since that time, the privilege of depositing has been extended to include such members of the company's nursing service as are in the employ of the company, on a regular salary basis.

The following is a statement of the affairs of the fund for the three years ended December 31, 1912:

Balance per printed statement December 31, 1909	\$903,154 58	
Add credits due in 1910, paid in 1909	11,610 27	
		\$914,764 85
Less accrued dividends disallowed		433 75

Assets per report of examiners December 31, 1909	\$914,331 10
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1910-1911-1912:	RECEIPTS	
From depositors	\$715,828 70	
From Company's net subscriptions	310,951 74	
From interest on investments and deposits	197,177 03	
From penalties	2,620 00	
From profit on investments, net	408 44	
Net increase in book value of bonds	435 85	
Increase in prepaid company's subscriptions	13,147 97	
Increase in unapportioned interest	49 69	1,240,620 02
		\$2,154,951 12

	DISBURSEMENTS	
Withdrawals	\$317,800 61	
Expenses	2,557 95	
Decrease in forfeitures due the company	11,108 26	331,466 82

Balance assets December 31, 1912	\$1,823,484 30
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	DISTRIBUTION	
Amortized value of bonds	\$839,958 85	
Mortgages	903,000 00	
Stocks—book value	41,627 42	
Cash in bank	8,176 31	
Cash in office	14,024 16	
Accrued interest on bonds	6,042 49	
Interest due and accrued on mortgages	10,655 07	
	\$1,823,484 30	

Non-Ledger Assets:

Company's subscriptions due in 1912, paid in 1913	3,777 76
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Gross assets	\$1,827,262 06
Deduct book value of stocks over market value	9,192 42

Net assets	\$1,818,069 64
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Due depositors	\$1,086,316 42	
Company's subscription fund.....	726,262 53	
Due company in 1913, paid in 1912.....	13,633 07	
Undivided profits on investments.....	983 44	
Unapportioned interest	54 51	
Unapportioned forfeitures	12 09	
Liabilities over assets.....	9,192 42	
	<u>\$1,827,262 06</u>	<u>\$1,827,262 06</u>

The difference of \$9,192.42 between the assets and liabilities is due to the fact that the examiners' figures are based upon the market values, December 31, 1912, of stocks owned, rather than the cost.

Inasmuch as the administration of the fund does not contemplate the creation of any considerable surplus, it would appear wise to charge off into the interest earnings losses, and credit the gains due to depreciation or appreciation, respectively, in the value of securities not subject to amortization in the year in which they occur. Such practice, we are informed, is to be followed in the future. The condition of this fund does not affect the financial statement of the company.

FIELD ORGANIZATION

The agency force of the company, not including the Pacific Coast Head Office, is made up as follows:

Superintendents	374
Assistant Superintendents	497
Deputy Superintendents	932
Agents	<u>9,631</u>
Total	<u>11,434</u>

In addition to this field force, there are a number of clerks employed in connection with the work of the various district offices. There are 380 districts, and, in addition, 372 detached assistants' offices.

The Pacific Coast Head Office agency force consists of about 400 agents, working under 33 district offices and 13 detached assistancies.

The entire field force is divided into nine sections, eight sections at the home office, A to H, and the Pacific Coast Head Office. Each section is in charge of a superintendent of agencies, assisted by a chief clerk, and, in some cases, agency supervisors. Matters of importance in agency affairs are submitted by the superintendents of agencies to the second vice-president, and, if necessary, to the vice-president and president.

Each of the two main forms of contract, under which most of the agents work, are based upon two elements: The "ordinary salary," which arises from the collection of premiums; and "special salary," which is based upon production of new business over lapses. In all contracts, the compensation is made to depend not only upon the amount of collections and increases, but also upon the good character of the business, penalizing for lapses.

It is stated by the company that the average earnings of agents (including commissions on ordinary business) was to date, in 1913, \$23.74. The average for 1909 was \$18.20. The following statistics may serve as a partial explanation of this increase:

Average debit—1909	\$95 33	
Average debit—1913	115 01	
Ordinary business placed in 1909.....		\$129,355,256
Ordinary business placed in 1913 (9 months)		<u>156,306,182</u>

The percentage of expenses to premium income for 1909 and 1913, exclusive of welfare work, was: 1909, 36.06; 1912, 35.12. Also, first year's commissions on limited payment and endowment policies in the ordinary department were increased 2½ per cent. in January, 1913.

The average collectible city debit is \$123.08 and country debit, \$105.03.

Assistant superintendents and deputies are generally promoted from the agency force because of demonstrated ability. Superintendents are generally selected from among the assistants and deputies. Their compensation consists of a flat salary and, in addition, commissions and bonuses, the latter dependent upon net increase for the year.

GAIN AND LOSS EXHIBIT

A summary of gains and losses by departments and for the company as a whole was prepared by the examiners from the "Green

Book" for the years 1910, 1911 and 1912. Also a gain and loss exhibit for 1912 was prepared, based upon the examiners' financial statement. The gains or losses from loading, interest, mortality, annuities, surrendered policies and miscellaneous items were investigated and checked.

It was noted that in computing the gain or loss from surrenders, lapses and changes, the company did not attempt to compute gains or losses from changes and restorations made during the year, as called for by the statement blank, line 60, but combined this item with gain from surrender and lapse. The principal changes in the exhibit are due to changes in loading on ordinary and intermediate business; increase of unpaid death claims by including reserve for unreported death claims; in dividends, due to increase in amount set apart for deferred dividends.

CONCLUSION

This examination shows that this company is efficiently managed, that its financial condition is good and that its reserves are ample. It promptly carries out its obligations to its policyholders in a liberal manner. The company has a first-class organization. The management and agency force are devoted to the welfare of the company and its policyholders.

The treatment by this company of its policyholders in the prompt payment of their claims, in the voluntary payment of millions of dollars in bonuses, and in its social welfare work — both in education and in the free nursing service — are features of the company's business which deserve commendation. The tuberculosis sanatorium for the benefit of thousands of employees of the company, the staff savings fund, whereby it encourages thrift among its employees, and other ways in which it cares for its employees, all impressed your examiners with the advanced position this company has taken in this class of work. These facts, together with the further fact that all policyholders of the company whose policies have been in force for one full year are entitled to vote for members of the board of directors, safeguard the future welfare of the organization.

NEW YORK LIFE INSURANCE AND TRUST COMPANY

NEW YORK, N. Y.

*Verification of liability for reserves.**Report dated September 29, 1913.**Examiner: Charles E. Woodman.*

I have made a verification of the valuation register of the New York Life Insurance and Trust Company of New York and find said register to contain a true record of all life insurance policies and annuities in force on September 15, 1913. In addition to the liability for present value of life policies and annuities in force on this date, there appears six hundred fifty and 11/100 dollars (\$650.11) for unpaid installments due the estates of deceased annuity holders, and four thousand nine hundred sixty-five and 6/100 dollars (\$4,965.06) for accrued and unpaid annuity payments. These amounts have not been claimed by the estates or existing annuitants, and the company is awaiting the presentment of claims for these amounts.

Casualty, Fidelity and Surety, and Credit
Insurance Companies

[715]

GENERAL ACCIDENT, FIRE AND LIFE ASSURANCE
CORPORATION, LIMITED—UNITED STATES
BRANCH

PERTH, SCOTLAND

Examined to ascertain condition December 31, 1913.

Report dated March 11, 1914.

Examiner: Jesse Bacharach.

Financial Condition on December 31, 1913.

Ledger Assets

Book value of real estate.....	\$213,160 58
Mortgage loans on real estate.....	19,000 00
Book value of bonds.....	1,979,842 92
Book value of stocks.....	86,544 15
Cash in company's office.....	44,443 19
Deposits in banks and trust companies not on interest.....	82,364 11
Deposits in banks and trust companies on interest.....	42,271 40
Premiums in course of collection, viz.:	

	<i>On Policies Is- sued on or after Oct. 1, 1913</i>	<i>On Policies Is- sued prior to Oct. 1, 1913</i>	
Accident	\$114,440 44	\$52,910 83	
Health	27,792 71	2,022 75	
Liability	281,061 22	133,393 91	
Workmen's compensation.....	92,355 92	11,927 00	
Burglary and theft	15,090 88	25,350 51	
Automobile and teams property damage	19,279 94	4,368 37	
Total	\$550,021 11	\$229,973 37	779,994 48
Bills receivable (industrial department)			1,768 70
Premium notes			14,272 85
Accounts receivable			41,813 14
Industrial sundry balances.....			10,858 09

Ledger assets as per balance..... \$3,316,333 61

Non-Ledger Assets

Interest accrued on mortgage loans.....	\$518 17
Interest accrued on bonds.....	26,055 41
Total non-ledger assets	26,573 58
Gross assets	\$3,342,907 19

Deduct Assets Not Admitted

Premiums in course of collection on business written prior to October 1, 1913.....	\$229,973 37	
Bills receivable (industrial department).....	1,768 70	
Book value of bonds over market value.....	117,007 92	
Book value of stocks over market value.....	26,594 15	
Book value of real estate over market value..	33,160 58	
Premium notes	14,272 85	
Accounts receivable	41,813 14	
Industrial sundry balances.....	10,858 09	
		\$475,448 80
Total admitted assets		
		\$2,867,458 39

Liabilities

Unpaid losses and claims:		
Accident and health.....	\$210,683 11	
Burglary and theft.....	13,271 62	
Auto and teams property damage.....	46,396 00	
Special reserve for unpaid liability and workmen's compensation losses.....	563,608 00	
Total unpaid losses and claims.....		\$833,958 73
Estimated expenses of investigation and adjustment of unpaid claims		5,396 27
Unearned premiums (pro rata).....		1,281,177 44
Commissions on business written after October 1, 1913.....		138,383 91
Salaries, rents, bills and accounts due and accrued.....		31,599 03
Taxes due or accrued.....		74,989 68
Advance premiums		23,865 40
Total liabilities, except capital.....		\$2,389,370 46
Deposit capital.....	\$250,000 00	
Surplus over all liabilities.....	228,087 93	
		478,087 93
Total liabilities		\$2,867,458 39

*Liabilities**Reserve for Liability and Compensation Losses:*

This reserve was computed according to the method prescribed by section 86 of the Insurance Law. The loss ratio for the years 1904-1908 inclusive was 63.92 per cent., which, applied to the

earned premiums of the years 1909-1913, inclusive, produces a reserve of \$563,608, as shown by the following computation:

YEAR OF ISSUE	63.92% of earned premiums	Loss payments	Remainder	Number of suits	Suits at \$750 ea. and outstanding compensation claims	Reserve	Loss ratio
1909.....	\$306,598	\$608,570	.....	13	\$9,750	\$9,750	65.15
1910.....	694,839	721,459	.....	42	31,500	31,500	69.26
1911.....	660,930	637,453	\$23,477	97	73,536	73,536	68.63
1912.....	1,200,315	1,078,242	122,073	637	511,784	122,073	84.75
1913.....	737,131	423,132	313,999	468	456,961	313,999	76.31
Totals...	\$3,899,813	\$3,468,856	\$459,549	1,257	\$1,083,531	\$550,858	74.63%
Reserve for 17 suits of previous years at \$750 per suit.....						12,750	
Total reserve.....						\$563,608	

For the years 1909-1910, a reserve of \$750 per suit is carried. For the year 1911, a reserve of \$750 per suit, plus \$786 for twenty-eight compensation claims is set aside. For the years 1912-1913, the difference between 63.92 per cent. of the earned premiums and the loss payments constitutes the reserve for these years.

On December 31, 1913, 57.4 per cent. of the earned premiums on the 1912 business had been paid out in losses, and there remained outstanding 637 liability suits, and claims for compensation aggregating \$34,034. To meet these liabilities, the company has in its reserve \$122,073, an amount which may fall short of providing for these obligations.

The loss ratio for the years 1904-1908 inclusive amounts to 63.92 per cent., whereas the loss ratio for the years 1909-1913 is approximately 75 per cent. While the experience from which the latter ratio is obtained is far from complete, the past experience of this and other companies shows that this ratio may increase rather than decrease.

In view of the experience of this company, as shown by the computation of its reserve, I believe that a charge of \$1,000 per suit for all years prior to 1912, plus the outstanding compensation claims of the year 1911, and the application of a loss ratio of 75 per cent. to the years 1912 and 1913 would produce a reserve approximately adequate.

*Claim Settlements**Accident and Health:*

An exhaustive investigation of the corporation's claim settlements under accident and health policies has been made during the course of this examination. Particular attention has been given to the settlement or adjustment of claims for specific loss, such as death, loss of eye and dismemberment, and a fair test has been made of less serious cases for disability due to illness or accident.

The attitude of the corporation towards those who have become beneficiaries under its contracts is best shown in its adjustment of death losses, particularly in the "Industrial" branch of its business, when it is called upon to deal with the widows and orphans of artisans and wage earners, and who by reason of the small amounts involved are obliged to depend upon the corporation's honesty and fair dealing for a square deal or fulfillment of its contractual obligations.

This corporation shows a disposition to treat its policyholders fairly and to mete out substantial justice to the beneficiaries under its contracts. The settlements criticized by the Department in this and previous examinations were reviewed by the corporation and full restitution made in such cases as were finally determined to be inequitably adjusted.

Workmen's Compensation:

The particular provisions of the compensation laws of the different states, which vary materially and if construed technically work a hardship, are those in reference to non-claimants, non-resident alien beneficiaries, and lump sum settlements. In some states, notice must be followed or accompanied by claim; in others, simply notice or knowledge is the requirement of the law. Oftentimes, through incompetency or ignorance, claim is not made. While the acts of some states specifically excuse delay, when it is shown that mistake or incompetency has been the cause, in others, delayed notice or claim is not excused by the specific wording of the law. If reasonable cause for delay can be given, and especially in those cases where the full history of the accident is known to the corporation, an equitable interpretation of the laws would

assure the injured or deceased's dependents the protection inherently contemplated by compensation laws. It is commendable of a corporation to construe such provisions in a liberal spirit and not to avail itself of every loop hole in the law and thus defeat the purpose of workmen's compensation, which, in brief, is to provide compensation for the surviving dependents of workmen; to furnish to the employee indemnity for injury incurred while actually working at his trade or occupation and to provide medical, surgical and hospital attention to the injured. In order that substantial justice may be meted out to injured workmen and their dependents, this corporation has taken the position that claims will be recognized in the spirit and intent of the law, thereby eliminating, in so far as possible, all controversies due to defects in legislation. Instructions have been sent to adjusters in charge of branch claim departments to discourage lump sum settlements, and, if the court or an industrial board decided after a review of the facts that a lump sum settlement must be made, the mathematical basis for computing such settlement will be the present value of expected future payments, discounted at 5 per cent. interest with annual rests, unless a specific basis is found in the act. Further, this corporation has taken the position that claims should not smolder, and that diligent efforts should be made to locate those entitled to benefits under compensation laws.

Burglary and Theft, Auto and Teams Property Damage:

An examination was made into the claim settlements in these lines and your examiner believes that the corporation is treating its policyholders fairly. In these lines, especially the larceny and theft claims, controversies arise, owing to the fact of mysterious disappearances, but on the whole the corporation endeavors to treat its policyholders equitably.

Liability Underwriting

In the practice of liability underwriting, the company has not been guided by any statistical experience. As it is not a member of any central bureau of liability companies, it has not at its command the combined experience of other liability underwriters, nor has it tabulated in statistical form its own experience. A

compilation of its statistical experience has recently been commenced, and the company expects to have this work completed by the end of this year.

In the meantime, the manuals promulgated by the Workmen's Compensation Service Bureau are used by the liability department as the basis for its rates. An investigation of the underwriting methods during the Department's previous examination showed that the company was writing its risks below manual rates, and generally conducting its underwriting business in such a manner as to result in serious losses. Since that examination, an improvement is shown, as a whole, in underwriting methods. In this State, the rates promulgated by the Bureau have been accepted by the company and strictly adhered to. In Massachusetts, the company has accepted the Bureau rates. In other states, with some exceptions, the Bureau rates have been but slightly discounted. In Illinois, however, a different situation exists, and at present competition seems to be the sole basis for determining the amount of premium charge. In certain states, a so-called merit rating schedule provides for a system of departure from manual rates. This method allows discounts, but no provision is made for charges. The manual rates have been promulgated as average rates, and any system of departure should provide for debits as well as credits, otherwise the average is destroyed and inadequate rates result. If departure from rates is sought, a proper method only should be used. Inspections should be made by competent inspectors, under the control of the home office, which should always retain control of the underwriting, and in no event allow departure from its rates for competitive reasons.

Losses and Gains

<i>Underwriting</i>	<i>Losses</i>	<i>Gains</i>
Accident and health.....	\$119,486 02	.....
Liability	186,759 38	.....
Workmen's compensation	55,585 38	.....
Burglary and theft.....	19,310 31	.....
Auto and teams property damage.....	.....	\$34,465 92
Totals	\$381,141 00	\$34,465 92
	34,465 92	
Net underwriting loss.....	\$346,675 17	

Gain from investments.....		\$20,225 08
Net receipts from home office.....		576,813 60

Totals	\$346,675 17	\$597,038 68
		346,675 17

Net gain		\$250,363 51
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Impairment, December 31, 1912.....		\$22,275 58
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Surplus, December 31, 1913.....		228,087 93
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Net gain		\$250,363 51
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Division of Business Written

The total business written during the year 1913, and the percentage of each line to the total, follows:

<i>Line of Business</i>	<i>Net premiums</i>	<i>Percentage ratio</i>
Accident	\$1,077,604 46	26.9
Health	354,472 19	08.9
Liability	1,727,830 40	43.2
Workmen's compensation	431,474 63	10.8
Burglary and theft.....	113,558 99	02.9
Auto and teams property damage.....	279,875 05	07.0
Workmen's collective	12,315 86	00.3
Total	\$3,997,131 58	100.00

Commissions

The total commissions paid and the average of each line of business follows:

<i>Line of Business</i>	<i>Amount paid</i>	<i>Average</i>
Accident	\$370,586 89	34.39
Health	115,928 33	32.70
Liability	517,586 62	29.74
Workmen's compensation	132,925 08	30.87
Burglary and theft.....	38,494 50	33.02
Auto and teams property damage.....	80,914 38	28.91
	\$1,256,435 85	31.43

The corporation has reduced its commissions on liability and compensation lines to conform with the ruling made by this Department. During the year 1913, commissions were also reduced

somewhat on the other lines. The corporation has also eliminated all of its "Agents Profit Sharing Contracts."

Conclusion

The present condition of this corporation's United States branch shows a decided improvement over that reported by the previous examination. It is financially stronger. Its underwriting, on the whole, is conducted on sounder lines, although further improvement is essential. Its acquisition cost has been materially reduced. Special effort is being directed towards the audit of payrolls, with good results. Claims are promptly paid and the policyholders honestly dealt with. The effect of these changes finds but little reflection in the financial statement for the year 1913, as they were not fully instituted until the latter part of that year.

As a result of our previous examination, several recommendations were submitted to the corporation's management. These recommendations were accepted and have been honestly complied with. The management has shown every disposition to comply with our requirements and to conduct its business hereafter on a sound and safe basis.

Further reforms are being instituted in underwriting methods, and this Department has been assured that these will be vigorously carried out. Assurance has been given by the General Manager that additional funds of at least \$250,000 will be placed in the hands of the United States Trustee prior to October 1, 1914.

FIDELITY AND CASUALTY COMPANY OF NEW YORK

Examined to ascertain condition June 30, 1913.

Report dated November 26, 1913.

Examiner: John L. Train.

HISTORY

This company was incorporated in 1874 under an act of the Legislature of the State of New York entitled "An act to provide for the incorporation of life and health insurance companies * * * passed June 24, 1853, and amended by chapter 328 of the Laws of 1865." The company was incorporated

under the name of "Knickerbocker Plate Glass and Accidental Insurance Company of New York." In 1876, by a special act of Legislature, the name was changed to the "Knickerbocker Casualty Insurance Company of New York" and by another act of the Legislature, in 1880, the company was authorized to assume its present name.

The original capital stock of the company was \$100,000. In 1881 this was increased to \$250,000. In 1903 the capital was increased to \$500,000 by a stock dividend of \$250,000, and in 1906 by a stock dividend of \$500,000, the capital was increased to its present capital \$1,000,000.

Under its charter, the company is authorized

"To make insurance upon the health of individuals, and against personal injury, disablement or death resulting from traveling or general accident by land or water, and guaranteeing the fidelity of persons holding places of public and private trust, and upon the lives of horses, cattle and other live stock; and also against loss, damage or liability arising from any unknown or contingent event whatever, which may be the subject of legal insurance except the perils and risks included with the Departments of Fire, Marine and Life Insurance."

The company is not writing insurance upon the lives of horses, cattle or other live stock.

The company transacts business in the Dominion of Canada, the District of Columbia and all of the states of the United States except South Dakota.

FINANCIAL STATEMENT, JUNE 30, 1913

Ledger Assets

Book value of real estate.....	\$1,403,893 45
Book value of bonds.....	\$4,306,252 57
Book value of stocks.....	3,680,857 62
	7,987,110 19
Cash in company's office.....	\$9,384 70
Deposits in banks not on interest.....	172,157 05
Deposits in banks on interest.....	58,540 80
	240,082 55

Premiums in course of collection:

	<i>On policies or renewals after April 1, 1913</i>	<i>On policies or renewals prior to April 1, 1913</i>
Accident and health.....	\$553,670 65	\$80,607 63
Liability including auto and teams property damage...	419,494 74	84,766 84
Workmen's compensation....	175,359 38	40,236 50
Fidelity	53,503 57	6,501 80

	<i>On policies or renewals after April 1, 1913</i>	<i>On policies or renewals prior to April 1, 1913</i>	
Surety	\$28,460 30	\$16,784 07	
Plate glass	76,549 79	4,727 49	
Steam boiler	63,721 37	8,282 38	
Burglary and theft	89,989 49	4,691 52	
Fly-wheel	13,761 57	1,131 67	
Workmen's collective	954 43	552 71	
Totals	\$1,475,465 29	\$248,282 61	
			\$1,723,747 90

Other ledger assets, viz.:

Equity in funds of Excise Reinsurance Association	\$54,924 10	
Agents' balances	13,305 47	
Advances to agents and inspectors	12,650 03	
Special bank deposits at agencies	31,110 39	
Workmen's Compensation Reinsurance and Inspection Bureau	5,679 98	
Workmen's Compensation Service Bureau	1,288 54	
		118,958 51
Ledger assets		\$11,473,792 60

Non-Ledger Assets

Interest accrued on bonds	\$59,102 78	
Interest accrued on bank deposits	518 94	
Rents due	82 94	
Salvage recovered since July 1, 1913, on fidelity losses paid prior	5,523 36	
		65,228 02
Gross assets		\$11,539,020 62

Deduct Assets not Admitted

Premiums in course of collection written prior to April 1, 1913	\$248,282 61	
Book value of stocks and bonds over market value	279,387 66	
Agents' balances	13,305 47	
Advances to agents and inspectors	12,650 03	
Workmen's Compensation Service Bureau	1,288 54	
Workmen's Compensation Reinsurance and Inspection Bureau	9 92	
Special bank deposits at agencies	22,003 25	
		576,927 48
Admitted assets		\$10,962,093 14

*Liabilities**Unpaid losses, including expenses:*

Accident	\$356,412 85
Health	254,984 35
Fidelity	83,589 00
Surety	61,813 81
Plate glass	23,368 25
Steam boiler	26,622 35
Burglary and theft.....	68,214 00
Fly-wheel	9,519 26
Auto and teams property damage.....	3,070 00
Workmen's collective	827 00

\$888,420 87

Special reserve for unpaid liability and workmen's compensation losses	1,519,186 51
--	--------------

Total unpaid losses	\$2,407,607 38
Gross premiums, one year, \$7,596,501.46; unearned premiums pro rata	\$3,963,608 90
Gross premiums, more than one year, \$1,457,621.05; unearned premiums pro rata.....	748,458 50
Excise N. Y. gross premiums, \$84,343.75; unearned premiums 25 per cent.....	21,065 94

Total unearned premiums..... 4,733,153 34

Commissions due agents:

Accident and health.....	\$193,125 15
Liability and auto and teams property damage	95,015 56
Workmen's compensation	29,512 98
Fidelity	10,534 85
Surety	6,161 65
Plate glass	23,263 48
Steam boiler	14,649 54
Burglary and theft.....	25,736 99
Fly-wheel	2,951 86
Workmen's collective	197 19

Total	401,149 25
Bills due and accrued.....	15,954 60
Taxes on premiums (estimated).....	93,827 44
Reinsurance	21,758 68
Munich Reinsurance Reserve.....	41,402 69
Fidelity Insurance Fund.....	12,108 92
Suspense account (undelivered checks).....	4,220 50
Sundry credit balances.....	71 06

Total amount of liabilities except capital..... \$7,731,253 86

Capital stock paid up in cash.....	\$1,000,000 00
Surplus over liabilities.....	2,230,839 28
Surplus to policyholders.....	3,230,839 28
Total liabilities	<u><u>\$10,962,093 14</u></u>

Underwriting and Management Expenses

The ratio of underwriting and management expenses of the company for the first six months of 1913, was 47.42 per cent. of the cash premiums received during that period. Of such percentage the commissions represent 26.95 per cent.

In 1912, the cash premiums received amounted to \$8,271,504.41 and the underwriting and management expenses were \$3,903,969.92. The following are the ratios which the various expenses bear to the cash premiums received during 1912:

<i>Nature of expense</i>	<i>Ratio</i>
Commissions	26.79%
Total acquisition cost including commissions.....	32.79%
Home office agency supervision.....	.30%
Taxes on premiums, insurance department fees, licenses, etc.....	1.94%
Inspections	2.79%
Home office expenses.....	9.38%
Total expense ratio for 1912.....	<u><u>47.20%</u></u>

Surplus

The company reported its surplus as of December 31, 1912, as \$2,281,284.04. If the item of \$250,000 included as a contingent reserve item were eliminated, the surplus would have been \$2,531,284.04, which we find approximately correct. The surplus shown by the company in its semi-annual statement as of June 30, 1913, amounted to \$1,921,020.95, and adding to such amount a liability item carried as a contingent reserve of \$275,000, the surplus would have been \$2,196,020.95, or a seeming decrease from the 1912 statement of \$335,263.09. However, the depreciation in the market values of the securities owned during the six months period as shown by the company valuations amounted to \$558,984.01 and according to the department valuations \$489,004.38.

The company reported its surplus on June 30, 1913, as \$1,921,020.95, while the surplus as of that date, as shown by this examination, amounts to \$2,230,839.28 or an increase over the company's figure of \$309,818.33. The department, however, in arriving at the amount of surplus, has eliminated as a liability the contingency reserve carried by the company and amounting to \$275,000. This reserve is set aside by the company to take care of any extraordinary change in reserves caused by a catastrophe or new legislation. If the company had not created this contingency reserve, the surplus as shown by the department would be \$34,818.33 in excess of the surplus reported by the company.

Gain and Loss Exhibits

The following are condensed gain and loss exhibits, covering underwriting and investments, for the year 1912 and for the first six months of 1913:

UNDERWRITING, 1912

Income earned	\$8,312,705 89	
Losses incurred.....	\$3,520,026 61	
Expenses incurred.....	4,498,794 47	
Total	8,018,821 08	
Gain from underwriting, 1912.....		\$293,884 81

INVESTMENTS, 1912

Income earned	\$542,230 46	
Expenses incurred and difference in security values	205,268 22	
Gain from investments, 1912.....		336,962 24
Total		\$630,847 05
Dividends paid	\$200,000 00	
Increase in contingency reserve.....	75,000 00	
		275,000 00
Net gain in surplus, 1912.....		\$355,847 05

UNDERWRITING, JANUARY 1-JUNE 30, 1913

All lines of business:

Income earned	\$4,507,411 86	
Losses incurred	\$2,048,376 41	
Expenses incurred	2,367,647 77	
		4,416,024 18
Gain from underwriting during 1913.....		\$91,387 68
Contingency reserve December 31, 1912, not set up June 30, 1913		250,000 00
Total gains		\$341,387 68

INVESTMENTS, JANUARY 1-JUNE 30, 1913

Investment expenses incurred..	\$61,001 57	
Difference in security values December 31, 1912, and June 30, 1913	489,004 38	
		\$550,005 95
Investment income earned	258,173 51	
Loss from investments during 1913.....	\$291,832 44	
Dividends paid	100,000 00	
Total losses		391,832 44
Net loss in surplus during six months of 1913.....		\$50,444 76
Surplus December 31, 1912....	\$2,281,284 04	
Surplus June 30, 1913.....	2,230,839 28	50,444 76

UNDERWRITING GAINS OR LOSSES BY CLASSES OF BUSINESS FOR THE YEAR 1912
AND THE FIRST SIX MONTHS OF 1913

Line of business	1912		1st 6 mos. 1913	
	Gain	Loss	Gain	Loss
Accident and health.....	\$124,453 00	.....	.....	\$165,459 64
Workmen's collective.....	.....	.....	.....	.....
Liability and workmen's compensation .....	.....	\$22,483 35	\$143,646 36	.....
Fidelity and surety.....	87,469 51	.....	97,397 78	.....
Plate glass	53,202 56	.....	11,182 16	.....
Steam boiler and fly-wheel.	10,787 21	.....	.....	6,980 90
Burglary and theft.....	35,745 97	.....	16,457 37	.....
Auto and teams property damage; auto collision...	4,709 91	.....	.....	4,855 45
Totals	\$316,368 16	\$22,483 35	\$268,683 67	\$177,295 99
Net underwriting gain.....	.....	293,884 81	.....	91,387 65
	\$316,368 16	\$316,368 16	\$268,683 67	\$268,683 67

Division of Business Written

The following table will show the percentage which each line of business written bears to the total business written by the company during the first six months of 1913:

<i>Line of business</i>	<i>Percentage ratio</i>
Accident	22.36
Health	14.53
Liability	29.31
Workmen's compensation	11.55
Fidelity	3.26
Surety	1.69
Plate glass	5.00
Steam boiler	4.04
Burglary and theft	6.16
Fly-wheel	.99
Property damage and collision.....	1.11
Total	100.00

The liability business, the premiums on which amounted to \$1,320,810.54 or 29.31 per cent. of the total premiums written during the first six months, is sub-divided into the various liability lines as follows:

<i>Liability line</i>	<i>Net premiums</i>	<i>Percentage</i>
Elevator	\$86,718 41	6.56
General	207,881 11	15.74
Employers	673,874 99	51.02
Teams	41,205 72	3.12
Auto	178,697 88	13.53
Druggists	31,390 94	2.38
Physicians	101,041 49	7.65
Totals	\$1,320,810 54	100.00

Workmen's Compensation:

This company is writing workmen's compensation insurance in the states of California, Illinois, Kansas, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, Rhode Island, Texas and Wisconsin. A statement of the net premiums written on this class of business is shown as follows:

1910	\$55,105 19
1911	58,821 53
1912	853,689 84
1913 (6 months)	520,325 95
Total	\$1,487,942 51

As compensation laws are now pending in a number of other states the income on this class of business will be considerably increased, and from the general trend of the sentiment of the public, the employers and the workingmen in favor of this method of compensating workmen for injuries, workmen's compensation will before long supersede to a great extent employers' liability insurance.

In many of the states the rates charged by this company for this class of insurance are fixed by the Workmen's Compensation Service Bureau, which consists of a number of companies transacting compensation insurance, this company being a member of such bureau. The experience of this company to date would indicate that as far as its own business is concerned, the rates are at least adequate.

The most important duty devolving upon an insurance company writing this class of business, is to treat fairly and equitably the workingmen entitled to benefits under the law. The purpose of such laws is that the workman or his dependents will receive a just compensation for the injury or death sustained in the course of employment. Therefore a thorough examination has been made of the settlements made by the company under compensation laws in various states both as to its method of handling such claims and as to its treatment of those entitled to compensation.

The company has branch claim departments in the various states and such branches have authority to settle the non-serious cases without reference to the home office. Under this system the weekly payments provided under the compensation laws are paid by the branch offices. All serious cases or those involving an amount exceeding the authority given to a branch office, are settled only after reference to and directions given by the home office. The original claim papers and correspondence in all cases are, however, filed in the home office.

We find that the workmen receive compensation promptly in all cases where the amount to be paid can be determined readily from the law. From an investigation of the claims made and the correspondence arising therefrom, it is apparent that the laws enacted in many of the states do not clearly prescribe the

amount to be paid in many cases of injury. It is believed that the benefits to be paid under these laws should be specific as far as possible so that this element of contention between the injured or dependents and the employer may be eliminated.

Further, we are impressed with the system in force in a number of states whereby claim settlements must be approved by industrial accident boards. In those states the settlements are closely scrutinized by such boards, and the workmen, employers and insurance companies are assured of a fair and impartial investigation of the facts and a uniform interpretation of the law. The industrial board protects the workman in that he is assured of receiving the compensation to which he is justly entitled, but it also shields from criticism both the employer and insurance company by putting its stamp of approval on the settlement and also as a protection against fraudulent claims. In some states, if differences arise between the workmen and employers as to the compensation due, the amount due under a claim must either be decided by a court or by an arbitration board appointed by it. With the court, the subject of workmen's compensation is not a specialty but is merely one of the details in an involved system of jurisprudence. Further, the workman must of necessity employ a lawyer to plead his case, and it is the hope of the advocates of this method of indemnifying workmen for injuries, that the amount to be paid for legal talent will be practically nothing. If arbitration boards are appointed to decide particular cases, such boards are liable to consist either of individuals who are not familiar with the subject, or have to a large extent prejudged the case on account of their appointment by the contending parties. It is evident also that decisions rendered by arbitration boards selected in various parts of a state, are not likely to be uniform, and therefore cause discrimination. For these reasons we are convinced from our investigation of the claim settlements that the method of approving settlements and fixing the amount to be paid as compensation in Massachusetts and Michigan is far superior to that found in New Jersey and Illinois, prior to July 1, 1913, when a new law in that state took effect.

Further we believe that lump sum settlements should be discouraged by the company in all cases. The theory of compensa-

tion by weekly installments is that the injured workman or his dependents will receive payments to be used for support, at the same intervals as received when working. Compensation is not a fixed sum payable upon injury or death but provides a weekly income during the period provided under the law. The workmen and their dependents are not, as a rule, versed in a knowledge of investments and the benefits under the law are better safeguarded when paid weekly. The industrial accident board in Massachusetts strenuously discourages lump sum settlements and is to be commended for that stand. This company has gone on record as being opposed to lump sum settlements and has notified its branch claim offices to oppose such settlements in all cases. If the court or an industrial accident board decides after a review of the facts that a lump sum settlement must be made of course the company has no alternative.

Further the company has taken the position that where a compensation law does not prescribe the mathematical basis for commuting lump sum settlements that it will pay the present value of the amount due, computed on a 5 per cent. interest basis with annual rests. In addition the claim offices have been instructed to make diligent efforts to search out those entitled to benefits and pay the compensation provided under the law.

Therefore as a result of the investigation of compensation claims we are convinced that this company is making prompt and fair settlements with the claimants. Practically all controversies that have arisen between the company and claimants have been due to defects in legislation and not to any attempt on the part of the company to defeat the purpose of the compensation laws.

Settlement of claims other than compensation:

During the course of this examination, an investigation was made of the paid claims to ascertain the policy and attitude of the company towards claimants. Inasmuch as approximately 37 per cent. of the business of the company is accident and health insurance, special attention was devoted to the settlements of claims arising under that class of policies. We are convinced that the company treats claimants fairly and does not avail itself of technicalities unless other reasons exist for believing that a claim is not just.

Many of the controversies that have arisen in the past on accident and health claims have been caused by differences in the interpretation of various provisions of the policy contracts. The standard policy provisions law, now in force in New York and other states, will undoubtedly clarify or eliminate many of the policy provisions that have heretofore caused dissatisfaction.

In examining burglary and theft claims, it appears that the theft insurance provision of the policies causes considerable contention between the company and assured. Many claims are made for theft losses where no evidence is produced as to the actual taking of property, but merely indicating its disappearance. The settlement of that class of claims must to a large extent be left to the discretion of the company, which takes into consideration the moral qualifications of the assured. It is evident that the payment of claims under the theft provision of policies is certain to be unsatisfactory both to the assured and the company. In but few cases of theft claims can actual proof of theft be found. One solution of the problem would be to eliminate theft insurance from all policies.

AGENCY ORGANIZATION

The company conducts its operations through a system of branch offices, state and district general agents and a home office department having jurisdiction over New York City and contiguous territory on all classes of business, except accident, health, and physician's liability. The seventeen branch offices are located in the cities of Atlanta, Baltimore, Buffalo, Cleveland, Detroit, Hartford, Indianapolis, Louisville, Milwaukee, Montreal, Pittsburgh, Richmond, St. Louis, San Francisco and Toronto. The company has twenty-seven general agents, the principal general agencies being located in the cities of Boston, Chicago, Cincinnati, Dallas, Denver, Halifax, Kansas City, New Orleans, New York, Omaha, Providence, Rochester, St. Louis, Salt Lake City, Seattle, Springfield and Winnipeg.

All the business of the special and local agents is reported to the home office through the branch offices and general agencies. The branch office and general agency contracts are made directly with the home office and all local and special agency contracts with the resident managers and general agents.

The contracts with the branch office managers provide for the salary of managers, office rent, salary of employees and expenses. In addition to their salaries, the managers, prior to October 1, 1913, received an overriding commission of from 1 to 2½ per cent., usually 2½ per cent. Since October 1, 1913, the overriding commission on liability lines has been made contingent upon the ratio which the expenses of the branch office bear to the premiums, with an annual accounting, the first accounting to be made January 1, 1915.

The average commissions paid during 1913, on the various lines of business, are shown as follows:

<i>Line</i>	<i>Average during 1913</i>
Fidelity and surety.....	20.39%
Accident and health.....	35.08%
Liability in United States.....	22.65%
Liability in Canada.....	
Property damage and collision.....	
Workmen's compensation	16.83%
Workmen's collective	20.66%
Plate glass	30.39%
Steam boiler and fly-wheel.....	22.75%
Burglary	28.60%

It was necessary for the company to reduce the commissions paid to its general agents in the United States on liability lines in order to comply with the ruling made by the Superintendent of Insurance of this State, which provided that after October 1, 1913, the acquisition cost of liability and workmen's compensation business must not exceed twenty per cent. With but one exception none of the agents in the United States now receive more than 20 per cent. on liability lines and 17½ on workmen's compensation. The one exception is a contract covering physician's liability, which contract contains no revocation clause, and which the company has no power to alter. If any allowances were made to a general agent prior to October 1, 1913, in addition to commissions, to cover expenses, such allowance has been reduced in the proportion which the liability and compensation business written bears to the total business written by that agent on the basis of the experience of 1912.

GREAT EASTERN CASUALTY COMPANY

NEW YORK

Examined to ascertain condition March 31, 1914.

Report dated June 16, 1914.

Examiner: Charles E. Heath.

History and Organization

This company was incorporated in 1892 under an act of the Legislature of the State of New York entitled: "An act to provide for the incorporation of life and health insurance companies * * *" passed June 24, 1893.

The company was originally organized under the name of "The Great Eastern Casualty and Indemnity Company of New York," with power conferred upon it to transact the business of insurance, "against injury, disablement or death of persons, resulting from traveling or general accidents by land or water." In 1909 the charter of the company was amended, its name being changed from the "Great Eastern Casualty and Indemnity Company of New York" to "Great Eastern Casualty Company," its capital stock increased to \$250,000 and its lines of insurance extended in which it may engage, namely, guaranteeing the fidelity of persons holding places of public or private trusts; guaranteeing the performance of contracts other than insurance policies and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law required; insuring against loss by burglary or theft, or both, and insuring upon glass against breakage.

The company is now engaged in the following classes of insurance named in the order of their importance: Accident and health, burglary and theft, plate glass and workmen's collective.

Financial Statement

A statement of the assets and liabilities on March 31, 1914, is shown as follows:

Ledger Assets

Mortgage loans on real estate.....		\$204,500 00
Book value of bonds.....	\$517,965 11	
Book value of stocks.....	71,408 13	
		589,373 24
Cash in company's office.....	\$500 00	
Deposits in bank not on interest.....	1,833 05	
Deposits in banks on interest.....	48,245 45	
		50,578 50

Premiums in course of collection:

	<i>On policies or renewals after Jan. 1, 1914</i>	<i>On policies or renewals prior to Jan. 1, 1914</i>	
Accident and health.....	\$82,342 99	\$20,336 14	
Plate glass	14,496 45	4,133 52	
Burglary and theft.....	30,223 54	7,894 70	
Totals	\$127,062 98	\$32,369 36	159,432 34

Ledger assets \$1,003,884 08

Non-Ledger Assets

Interest accrued on mortgages.....	\$2,848 75	
Interest accrued on bonds.....	6,462 49	
Interest accrued on bank balances.....	90 43	
Reinsurance due from other companies for losses	369 49	
		9,771 16

Gross assets \$1,013,655 24

Deduct Assets Not Admitted

Premiums in course of collection written prior to January 1, 1914.....	\$32,369 36	
Book value of stocks and bonds over market value	31,223 24	
Bank balance	493 87	
		64,086 47
Admitted assets		\$949,568 77

Liabilities

Losses and claims:

Accident and health.....	\$95,309 12	
Plate glass	6,224 45	
Burglary and theft	17,536 97	
Total unpaid losses.....		\$119,070 54
Unearned premiums		450,039 44
Commissions to agents and brokers.....		43,114 74
Salaries, expenses, bills and accounts due and accrued.....		6,150 87
Taxes on premiums (estimated).....		6,809 33
Reinsurance (net)		6,543 09
Advance premiums		4,383 52
Due agents for commissions under profit sharing contracts...		2,747 00
Total liabilities, except capital.....		\$638,858 53
Capital stock paid up in cash.....	\$250,000 00	
Surplus over all liabilities.....	60,710 24	
Surplus to policyholders		310,710 24
Total liabilities		<u>\$949,568 77</u>

Surplus

As a result of this examination the surplus as of March 31, 1914, amounts to \$60,710.24, which is a reduction of \$48,367.30 from the figures as reported to the Department in its quarterly statement.

The decrease in surplus is accounted for as follows:

	<i>Increase</i>	<i>Decrease</i>
Bank balances		\$493 87
Premiums over three months due.....		2,124 29
Commissions to agents	\$1,247 02	
Investments	487 50	
Advance premiums	79 04	
Reserve for losses		28,461 41
Reserve for unearned premiums.....		16,452 61
Profit sharing commissions		72 72
Bills and accounts due and accrued.....		2,400 69
Taxes		544 76
Reinsurance due from other companies.....	369 49	
	\$2,183 05	\$50,550 35
Net decrease in surplus.....	48,367 50	
	<u>\$50,550 35</u>	<u>.....</u>

Claim Settlements

A thorough examination of claim settlements under accident and health policies indicates that the claimants receive all they are entitled to under their contracts and that settlements are made promptly after thorough investigation. Technicalities are resorted to only to defeat claims which on their face appear to be unfair.

MARYLAND CASUALTY COMPANY

BALTIMORE, MD.

Joint examination by Maryland and New York to ascertain condition June 30, 1913.

Report dated December 3, 1913.

Examiners: For Maryland, Charles O. Hall and Hazelton A. Joyce, Jr.; for New York, Leon S. Senior.

The examiners have ascertained the company's financial condition as of June 30, 1913, verified the annual statement rendered to the departments for the year ending December 31, 1912, and made a general review of the important transactions that have taken place during the preceding years of the company's existence. This review includes a summary of the company's history and organization, deals with its acquisition of the capital stock of the Bankers Surety Company and contains a special study of experience and practices under workmen's compensation laws.

HISTORY AND ORGANIZATION

Powers under Charter:

This company was organized in 1898 as the "Maryland Casualty Company of Baltimore City" under the general corporation laws of the State of Maryland for the purpose of transacting life, accident and liability insurance. The original charter provided for a board of twelve directors and the term of corporate existence was limited to forty years. By an act of the General Assembly of Maryland, approved on March 8, 1898, the corporate title was changed to "Maryland Casualty Com-

pany," the number of directors increased to twenty-five and the corporation allowed perpetual succession. In 1900, the charter was amended by a special act granting the company authority to transact the business of inspecting boilers, engines, and machinery. In 1902, the corporation was given by a special act broad general powers to transact fidelity, surety, and banking business and to insure against theft, larceny, robbery and burglary. This act also limited the company's authority to own real estate to the extent of premises occupied as its office or place of business, not exceeding in value \$200,000 and to such property as it may acquire in satisfaction of any debt due to it upon mortgage, decree or judgment. The act of 1902 was amended by a special act passed in 1904, which abrogated the company's right to transact fidelity, surety and banking business, and removed the limitation as to the ownership of real estate, conferring general powers to invest its funds in real and personal property. The company's investments in real estate are, however, restricted by the provisions of section 20 of the New York insurance law. By an act of the General Assembly of Maryland, passed in 1910, the company received authority to transact fidelity and surety business.

Territory and Insurance Lines:

The company is authorized to write casualty insurance in all the states of the United States, the provinces of Canada, and in Mexico, Cuba and Panama. It has authority to transact surety business in all of the states of the United States, except Idaho and Nevada, and is also authorized to write this line of insurance in the provinces of Canada. It maintains branch offices in the cities of New York, Philadelphia, Boston, San Francisco, Toronto and Havana.

FINANCIAL STATEMENT

The following financial statement shows the company's condition as of June 30, 1913.

Ledger Assets

Book value of real estate.....	\$1,239,604 83
Mortgage loans on real estate.....	17,957 74
Book value of bonds.....	3,777,306 08
Book value of stocks.....	458,020 00
Cash in office.....	14,503 24
Bank deposits on interest.....	71,542 44

Premiums in course of collection:

On policies issued prior to April 1, 1913....	\$141,961 17	
On policies issued on or after April 1, 1913.	1,142,540 56	
Bills receivable	35,939 04	
Emergency fund	77,814 21	
Printing equipment	5,543 28	
Agents' balances	23,598 21	
Reinsurance due from other companies for losses	8,115 00	
Total ledger assets		\$7,014,445 80

Non-Ledger Assets

Interest accrued on bonds.....	\$27,624 81	
Interest accrued on bank balances.....	114 25	
		27,739 06
Gross assets		\$7,042,184 86

*Deduct Assets not Admitted***Book value over market value:**

Real estate	\$37,021 33	
Mortgage loans	10,957 74	
Bonds	23,431 43	
Stocks	3,294 50	
Interest coupons returned by bank.....	506 13	
Uncollected premiums on policies issued prior to April 1, 1913.....	141,961 17	
Bills receivable	12,099 06	
Emergency fund	62,107 42	
Printing equipment	5,543 28	
Agents' balances	20,658 14	
Munich reinsurance account	978 48	
		318,558 68
Admitted assets		\$6,723,626 18

*Liabilities***Losses and claims:**

Accident and health	\$171,556 21
Fidelity and surety	202,468 97
Plate glass	30,665 38
Steam boiler	30,145 42
Burglary and theft	32,292 08
Sprinkler	8,380 80

Fly wheel	\$750 00	
Property damage	22,196 27	
Workmen's collective	23,998 24	
Total	\$522,453 37	
Special reserve for unpaid liability losses...	960,018 00	
Total unpaid losses	\$1,482,471 37	
Unearned premiums	2,867,308 39	
Commissions on policies issued on or after April 1, 1913.....	305,629 60	
Salaries, rents, expenses, etc., due or accrued.....	15,716 86	
Estimate of State taxes due or accrued.....	82,968 11	
State and city taxes on capital stock.....	25,717 05	
State and city taxes on real estate.....	18,968 08	
Reinsurance premiums	16,415 99	
Total liabilities, except capital	\$4,815,195 45	
Capital actually paid up in cash.....	\$1,000,000 00	
Surplus over all liabilities.....	908,430 73	
Surplus as regards policyholders.....	1,908,430 73	
Total liabilities	\$6,723,626 18	

PURCHASE OF BANKERS SURETY COMPANY

In September, 1911, the Maryland Casualty Company acquired the entire capital stock of the Bankers Surety Company, a corporation organized under the laws of Ohio. The par value of such stock at the time of the purchase was \$500,000. The purchase was accomplished at a total cost of \$437,750. It is claimed that such purchase has been of benefit to the Maryland Casualty for the reason that it has brought into its organization a number of desirable agents and home office officials and a large volume of surety business. Subsequent to such purchase the Maryland Casualty succeeded, with the consent of the Ohio department, in reducing the capital stock of the Bankers Surety from \$500,000 to \$200,000, leaving the net cost at \$137,750, which appears as the book value at the date of this examination. Thereafter the Bankers Surety was placed in liquidation, and pursuant to the provisions of the Ohio law, three trustees were appointed for the purposes of such liquidation. These trustees are Messrs. John T. Stone, Walter L. Clark and James F. Mitchell, all officers of the Maryland Casualty Company. The

trustees are rendering their services without compensation. The salaries of employees of the Bankers Surety and the other expenses of liquidation are paid from premiums received by the Bankers Surety on long term bonds. Such premiums have been sufficient to take care of all running expenses during the past two years. The Bankers Surety, however, finds itself under the necessity of borrowing money in order to meet the payments of losses for the reason that its liquid assets, consisting of bonds and stocks, are held under the general deposit laws of the state of Ohio for the ultimate protection of policyholders. The premium income of the company for the year ending September 30, 1912, amounted to approximately \$255,000 and for the year ending September 30, 1913, it amounted to \$64,000. In its position of stockholder, owning the entire capital stock, the Maryland Casualty Company is responsible to the policyholders of the Bankers Surety to the extent of the original capital stock, namely, \$500,000. In addition thereto it has assumed the obligations of the Bankers Surety on all bonds running in favor of the United States government.

Settlements Under Accident Policies

Disability Claims:

A general review of disability claims indicates that adjustments are free from criticism. Liability is denied and litigation resorted to only in cases where the company's defenses are of a meritorious character.

Specific Losses:

A detailed examination was made of the company's settlement of claims arising under personal accident policies, on account of injuries resulting in death, dismemberment, or loss of sight. Sixty-two claims were examined, fifty fatal and twelve non-fatal. The following statistics are pertinent:

	<i>Claims</i>	<i>Indemnities specified by policies</i>	<i>Settlements by the Company</i>
Settlements in full	36	\$142,575	\$142,575 00
Compromise settlements	19	112,325	50,514 55
Liability denied	5	8,350	.....
Claims prorated	2	4,300	2,314 71
Total	62	\$267,550	\$195,404 26

Compromise Settlements:

	Claims	Indemnities specified by policies	Settlements by the Company
With suit	9	\$48, 125	\$25, 999 55
Without suit	10	64, 200	24, 515 00
Total	19	\$112, 325	\$50, 514 55
Reasonable compromises	12	\$78, 450	\$42, 798 93
To the apparent advantage of the com- pany	4	28, 125	5, 715 62
To the apparent advantage of the bene- ficiary	3	5, 750	2, 000 00
Total	19	\$112, 325	\$50, 514 55

Liability Denied:

<i>Liability Denied:</i>		<i>Claims</i>	<i>Indemnities specified by policies</i>	<i>Settlements by the Company</i>
Reasonable doubt as to accidental causation of death placed bur- den of proof on bene- ficiary	Suit lost by beneficiary..	1	\$5, 000	None
	Beneficiary not pressing claim	2	1, 250	None
No coverage		1	1, 300	None
Liability denied on ground that history of accident is not clearly defined.... (Death following operation for hernia.)		1	800	None
Total		5	\$8, 350	None

Litigation:

	Claims	Indemnities specified by policies	Settlements by the Company
Suits in which judgment was rendered (company upheld in both instances) ..	2	\$7, 500	\$2, 500 00
Suits settled before judgment was ren- dered	9	48, 125	25, 999 55
Total suits	11	\$55, 625	\$28, 499 55
Settled without suit	51	211, 925	166, 904 71
Totals	62	\$267, 550	\$195, 404 26

Prorating on Account of Occupation:

The company prorated two claims on the grounds of change to a more hazardous occupation; the facts justified this action on the part of the company in both instances.

Workmen's Compensation Insurance

The company's experience under workmen's compensation insurance appears to have been of a favorable character. This form of insurance is written in eleven states of the United States and in the provinces of Canada. The following table shows the premiums, losses and reserves for the years 1911, 1912, 1913:

<i>Policy year</i>	<i>Premium written</i>	<i>Premium earned</i>	<i>Losses and reserves</i>	<i>Ratio</i>
1911.....	\$47,744 94	\$47,744 94	\$19,509 44	40.86
1912.....	340,514 32	304,843 25	146,244 54	47.97
1913.....	161,313 85	59,603 79	24,408 04	40.95
	<u>\$549,573 11</u>	<u>\$412,191 98</u>	<u>\$190,162 02</u>	<u>46.13</u>

Arranged in order of importance as to volume of premiums the states wherein the insurance is written are as follows:

Provinces of Canada, Massachusetts, Illinois, Michigan, New Jersey, Wisconsin, Rhode Island, California, Kansas, Arizona, New Hampshire, Nevada.

Settlement of Workmen's Compensation Claims

Claims examined, 95; fatal, 59; non-fatal, 36.

An examination was made of the company's settlement of workmen's compensation claims, including all such claims that have arisen on account of fatal injuries since the compensation acts became effective in the various states. Investigation suggested a comparison of results achieved by the original Illinois Compensation Act with corresponding results in Massachusetts.

Illinois:

The history of serious compensation claims in Illinois is one of settlements by payment of a lump sum. The Illinois Compensation Act of 1911 left the initial agreement as to compensation in the hands of the insurance company and the injured man or his dependents. The statute provided weekly indemnities during a term of years, but it empowered the probate or other county court having jurisdiction to approve redemption of future installments by the payment of one sum. In this way the "lump

sum settlement" was facilitated, although, unfortunately, the Act did not authorize specifically any deduction whatsoever on account of interest.

The following table of fatal cases is a comparison of the company's settlements (which were effected in every instance by the payment of a lump sum) with the compensation computed by your examiners, based upon the interest rate named by the Illinois Compensation Law of 1913 (3 per cent. with annual rest), — and upon the rate of wages disclosed by the company's claim file, which wage-rate represents not infrequently an underestimate. Medical and hospital fees are not included in this comparison.

FATAL COMPENSATION CLAIMS — ILLINOIS

<i>Claim number</i>	<i>Time elapsed between accident and settlement</i>	<i>Compensation computed at 3%</i>	<i>Settlement</i>
P 44392.....	6 mo. 6 da.	\$2,136 66	\$1,958 40
P 44411.....	6 mo. 14 da.	3,266 13	3,062 50
P 44390.....	6 mo. 19 da.	1,816 16	1,500 00
P 44383.....	6 mo. 21 da.	1,816 16	1,200 00
P 44389.....	9 mo. 17 da.	1,976 41	2,092 80
P 44391.....	6 mo. 15 da.	1,999 92	2,064 00
P 44396.....	10 mo. 23 da.	2,094 64	1,939 00
P 44405.....	.....	2,008 46	1,804 80
P 44407.....	10 mo. 23 da.	1,923 00	1,709 00
P 44406.....	10 mo. 23 da.	1,923 00	1,500 00
P 44398.....	10 mo. 13 da.	1,816 16	1,200 00
R 1560.....	2 mo. 9 da.	3,247 52	3,000 00
P 22814.....	6 mo. 10 da.	3,132 75	2,750 00
P 33814.....	7 mo. 26 da.	3,266 13	3,313 60
P 42350.....	.....	No coverage	None
R 395.....	9 mo. 0 da.	3,323 26	3,247 50
R 3416.....	.....	3,273 96	2,866 00
R 3746.....	0 mo. 29 da.	3,278 33	3,000 00
		\$42,298 65	\$38,207 60

Average time elapsed between date of accident and date of final settlement, 7 months, 12 days.

Fatal Illinois cases examined, thirty-one (31).

Fatal Illinois cases where data was forthcoming sufficient for comparison, eighteen (18).

From the experience of this company, it is extremely doubtful whether the tardy and inconsistent lump sum settlements of death

claims fostered by the Illinois Act of 1911 have fulfilled adequately the purposes of this statute. Aside from the dangers of squandering or injudicious investment on the part of beneficiaries, this practice has worked financial advantage to certain attorneys at the expense of those dependent upon the injured workman. The examiners found evidence that of 31 fatal Illinois claims, 9 were subject to attorneys' liens, from 25 per cent. to 50 per cent. of the claim. In the absence of a specific provision as to rate of discount, the courts have approved settlements on various bases; some judges were of opinion that an interest discount was not permissible, while others allowed commutations at 5 per cent. or 6 per cent. interest.

Permanent Disability:

The provisions of the original Illinois act relating to compensation for permanent disability are by no means easy of application. The settlements consummated under these provisions have invariably disregarded the present values of the life pensions payable after the first eight years of total disability.

Massachusetts:

In contrast with the situation in Illinois, the Massachusetts Compensation Act of 1911 created a potent agency for administering the law in the form of an industrial board of broad and explicit powers. The statute imposed a severe penalty upon the employer for each failure to report an accident to the board within forty-eight hours after its occurrence, and made approval on the part of this body a condition to any valid agreement between employer and employee (or his dependents) as to compensation for injury. Disagreements were to be arbitrated before a committee, in which a member of the board held the balance of power. The findings of this committee, if not accepted by both parties, were made subject to review by the board. The functions of the courts in carrying out the provisions of the act were limited substantially to the enforcement of the decisions of the industrial board, and the determination of questions of law upon appeal.

The table below compares the compensation payable under the Massachusetts Act of 1911, as determined by your examiners, with the company's settlements of fatal compensation claims in Massachusetts:

FATAL COMPENSATION CLAIMS — MASSACHUSETTS

<i>Claim number</i>	<i>Compensation provided by Statute</i>	<i>Settlement</i>
R 3571.....	\$10 per week for 300 weeks	In full
P 38532.....	\$6 per week for 300 weeks	In full
P 38534.....	\$6 per week for 300 weeks	In full
R 7043.....	\$3,000, payable in weekly installments	Pending
R 7273.....	\$3 per week	In full
R 3295.....	\$137	\$137
	Funeral expenses	No dependents
R 38533.....	\$200	\$200
	Funeral expenses	No dependents
R 22685.....	\$300	\$280, being a commutation of future payments at 3½%.

Fatal Massachusetts claims examined, 12.

Fatal Massachusetts claims examined where data was forthcoming sufficient for comparison, 8.

CONCLUSION

This report shows the company to be in a sound financial condition, with a paid-in capital of \$1,000,000, a paid-in surplus of \$300,000, and an earned surplus of \$608,430.73.

Its history is one of uninterrupted success, its affairs are efficiently conducted and its statements to the departments are prepared with substantial accuracy.

This examination indicates that the reserves which are based upon mathematical computations are correctly maintained and that the company aims to carry sufficient reserves in all of its departments where the estimates are based upon judgment.

In its dealings with policyholders and claimants, the company has fulfilled the obligations of its contracts in a spirit of fairness.

Its experience, however, in making settlements under workmen's compensation laws indicates that such settlements should be under the supervision of industrial boards. It is our opinion

that whatever there may have been in its settlements of workmen's compensation claims meriting criticism has been due to the conditions and uncertainties in the law on this subject and not to any disposition on the part of the company to be unfair to claimants.

MASSACHUSETTS BONDING AND INSURANCE COMPANY

BOSTON, MASS.

Joint examination to ascertain condition December 31, 1913.

Report dated May 5, 1914.

MAY 5, 1914.

The report of the examination of the Massachusetts Bonding and Insurance Company of Boston, Massachusetts, made under the direction of the Insurance Commissioner of the State of Massachusetts, the Superintendent of Insurance of the State of New York and the Insurance Commissioner of the State of Connecticut, by Messrs. H. L. Peabody, C. A. Wheeler and Joseph Froggatt, which report is attached hereto, having been fully considered, is hereby adopted by the Insurance Departments of the States aforesaid and made their report.

Witness our hands on the day and year above given.

FRANK H. HARDISON,

Insurance Commissioner of the State of Massachusetts,

FRANK HASBROUCK,

Superintendent of Insurance of the State of New York,

BURTON MANSFIELD,

Insurance Commissioner of the State of Connecticut.

HISTORY AND ORGANIZATION

This company was organized on the 29th day of July, 1907, under the provisions of chapter 118, section 30, of the Revised Laws and the acts in amendment thereof and in addition thereto, with a capital stock of \$500,000.

On June 30, 1911, the capital stock was increased to \$1,000,000 pursuant to the provisions of section 39 of chapter 576 of the acts of 1907.

The company is now transacting fidelity and surety business, accident and health, burglary and theft, plate glass, liability, workmen's compensation and workmen's collective insurance.

It has been admitted in all the states of the United States, with the exception of New Mexico, South Dakota and Virginia.

The company transacts its business through branch offices, general agencies and direct reporting agencies. The branch offices are located in the following cities:

Albany,	Kansas City,	Seattle,
Brooklyn,	New York City,	Scranton,
Chicago,	Philadelphia,	Spokane,
Cleveland,	Pittsburg,	Washington, D. C.
Detroit,	Providence,	Indianapolis.

CAPITAL STOCK

The company was organized in July, 1907, with a paid-up capital of \$500,000 and a paid-in surplus of \$250,000. In June, 1911, \$500,000 was added to the paid-up capital and \$250,000 to the paid-in surplus, making, as now, a paid-up capital of \$1,000,000 and a paid-in surplus of \$500,000.

The Federal Trust Company, of Boston, Mass., acts as transfer agent of the company and has furnished a certificate setting forth that there was outstanding as at December 31, 1913, 10,000 shares of stock of the par value of \$100 each. This has been verified by an examination of the stock ledger and stock certificate books kept at the office of the transfer agents.

FINANCIAL STATEMENT

The following statement shows its financial condition on December 31, 1913, as ascertained by your examiners:

Ledger Assets

Real estate (book value).....	\$14,000 00
Bonds (book value).....	\$1,919,472 74
Stocks (book value).....	254,535 42
	2,174,008 16

Cash:

In office.....	\$6,245 41	
In banks, not on interest..	72,516 89	
In banks on interest.....	418,841 69	
		\$497,603 99
Premiums in course of collection		932,686 18
Bills and accounts receivable.....		675 37
Workmen's compensation reinsurance and inspection bureau		6,906 13
Due from Pennsylvania Casualty Company..		9,741 30
Ledger assets		\$3,635,621 13

Non-Ledger Assets

Interest accrued:		
On bonds	\$23,282 51	
On bank balances	1,191 47	
Salvage due from reinsured companies.....	467 50	
Salvage received in 1914 on losses paid in 1913	4,683 27	
Cash deposited in branch office bank, not reported	3,022 80	
		32,647 55
Gross assets		\$3,668,268 68

Assets Not Admitted

Bills and accounts receivable.....	\$175 37	
Due from Pennsylvania Casualty Company.	9,741 30	
Book value of stocks and bonds over market value	96,789 16	
Uncollected premiums on policies effective prior to Oct. 1, 1913.....	* 352,476 31	
		459,182 14
Admitted assets		\$3,209,086 54

*Liabilities*Losses and claims (including
investigation and adjust-
ment expenses):

Accident and health.....	\$55,932 51
Fidelity	61,076 91
Surety	214,419 89
Plate glass	2,865 77
Burglary and theft	16,589 00

*The company reports May 1st that approximately \$180,000 of this amount had been collected.

Auto and teams property		
damage	\$10,876 03	
Workmen's collective.....	489 50	
		\$362,249 61
Special reserve for unpaid liability and work-		
men's compensation losses.....	163,107 00	
Unearned premium reserve.....	1,378,079 78	
Advance premiums (100%).....	47,077 88	
Commissions due on uncollected premiums		
effective after Oct. 1, 1913.....	122,996 98	
Salaries, expenses, etc., due or accrued.....	21,149 35	
Taxes on premiums due or accrued.....	47,771 45	
Reinsurance	18,183 93	
Liabilities (except capital).....		\$2,160,615 98
Capital.....	\$1,000,000 00	
Surplus	48,470 66	
		1,048,470 56
Total liabilities		<u><u>\$3,209,086 54</u></u>

NATIONAL SURETY COMPANY

NEW YORK, N. Y.

Joint examination by New York and Maryland to ascertain condition December 31, 1913.

Report dated May 2, 1914.

Examiners: For New York, C. E. Woodman; for Maryland, Hazelton A. Joyce, Jr., and Charles O. Hall.

History

The National Surety Company was incorporated February 24, 1897, under chapter 690, acts of 1892 of the State of New York, with an authorized capital of \$500,000. At various times subsequent to that date, authority was granted the company, through amendments to its charter, to increase its authorized capital to \$2,000,000, which amount represents the present capital of the company. Such increases conform to the Insurance Laws of the State of New York, as disclosed by reports on file with the Insurance Department of the State. Under its charter, the company is authorized to write insurance covering fidelity, surety and burglary or theft risks.

Financial Statement

The following statement shows the assets and liabilities on December 31, 1913:

<i>Ledger Assets</i>		
Book value of real estate.....		\$193,306 99
Mortgage loans		49,040 57
Collateral loans		20,500 00
Book value of bonds.....		3,930,013 74
Book value of stocks.....		1,753,170 13
Cash in company's office	\$21,966 83	
Cash in branch offices.....	11,585 12	
Cash in transit	1,754 54	
Deposits in banks not on interest.....	144,174 23	
Deposits in banks on interest.....	736,592 96	
		916,073 68
Due from suspended banks.....		81,871 90
Premiums in course of collection:		
	<i>On policies issued after Oct. 1, 1913</i>	<i>On policies prior to Oct. 1, 1913</i>
Fidelity	\$123,120 46	\$111,920 31
Surety	306,564 78	168,902 40
Burglary and theft.....	97,716 62	15,674 92
Totals	\$527,401 86	\$296,497 63
		823,899 49
Bills receivable		2,102 58
Accounts receivable, miscellaneous		22,341 22
Reinsurance recoverable on paid losses.....		31,799 75
Due from railroads for inspections.....		15,798 05
Advances on contracts — Dr., \$39,155.31; Cr., \$1,364.94.....		37,790 37
Due from U. S. government, counties and municipalities.....		41,950 00
Funds held by Excise Reinsurance Committee.....		60,039 51
Empire State Surety Company — special account.....		3,585 14
Advances against commission — Dr., \$1,866.11; Cr., \$24.30....		1,841 81
Suspense accounts		19,884 63
Ledger assets as per balance.....		\$8,005,009 56
<i>Non-Ledger Assets</i>		
Interest accrued on mortgages.....	\$391 62	
Interest due, \$912.50, and accrued, \$45,453.46, on bonds	46,365 96	
Interest accrued on collateral loans.....	400 00	
Interest accrued on bank balances.....	2,935 30	
Funds held by Excise Reinsurance Committee over that shown on company's ledger.....	93 33	
Salvage received in 1914 on losses paid prior...	62,113 50	
		112,299 71
Gross assets		\$8,117,309 27

Deduct Assets Not Admitted

Book value of real estate over market value..	\$29,823 37	
Mortgage loans	6,972 53	
Collateral loans	2,500 00	
Book value of bonds over market value.....	226,346 78	
Book value of stock over market value.....	204,755 13	
Cash in branch offices.....	5,534 47	
Due from suspended banks.....	52,111 99	
Premiums in course of collection written prior to October 1, 1913.....	296,497 63	
Bills receivable	2,102 58	
Accounts receivable, miscellaneous.....	22,341 22	
Reinsurance recoverable on paid losses.....	13,134 19	
Advances on contracts, gross amount.....	39,155 31	
Due from counties and municipalities.....	11,604 16	
Empire State Surety Company—special ac- count	3,585 14	
Advances against commissions, gross amount..	1,866 11	
Suspense accounts	19,884 63	
Exchange on Mexican bank deposits.....	3,386 98	
		\$941,602 22
Admitted assets	\$7,175,707 05	

*Liabilities**Unpaid claims, including adjustment expenses:*

Fidelity	\$343,774 76	
Surety	1,025,457 33	
Burglary and theft.....	33,822 08	
		\$1,403,054 17

Unearned premiums:

Gross premiums, one year, \$2,726,547.29; un- earned premiums pro rata.....	\$1,501,251 79	
Gross premiums, more than one year, \$647,- 369.87; unearned premiums pro rata.....	325,025 57	
Gross premiums, New York State excise, \$76,704.88; unearned premiums, 75 per cent.	57,528 66	
		1,883,806 02
Commissions on policies issued on or after October 1, 1913...	120,407 62	
Salaries accrued and bills unpaid.....	6,414 57	
Taxes on premiums.....	43,947 36	
Dividends declared and unpaid.....	60,378 00	
Return premiums, \$37,080.88; less commissions, \$8,565.68....	28,515 20	
Reinsurance premiums, \$37,562.35; less commissions, \$11,375.32	26,187 03	
Unadjusted premiums	9,159 23	
Railway mail clerk advance premiums.....	8,369 00	
Auto chauffeurs advance payments.....	122 00	
Income tax deducted at source.....	13 33	
Total liabilities, except capital.....	\$3,590,373 53	

Capital stock paid up in cash.....	\$2,000,000 00
Surplus over all liabilities.....	1,585,333 52

Surplus to policyholders	\$3,585,333 52
Total	\$7,175,707 05

Changes in Surplus

The following exhibit, setting forth the asset and liability items affected and the resulting decrease in surplus, will aid in a review and discussion of the report:

<i>Assets</i>		<i>Increase in surplus</i>	<i>Decrease in surplus</i>
Real estate and mortgage loans.....			\$6,795 90
Collateral loans			2,500 00
Book value over market value of bonds and stocks			4,070 00
Accrued expenses on branch office balances....			1,243 26
Deposits in bank (exchange on Mexican bank balance).....			3,386 98
Due from suspended banks.....			3,546 31
Premiums over ninety days due.....			7,984 05
Due for reinsurance on paid losses.....			1,946 62
Advances on contracts.....			1,364 94
Due from counties and municipalities.....			11,604 16
Funds held by Excise Reinsurance Committee..	\$93 33		
Advances against commissions.....			24 30
Accrued interest			1,017 31
Salvage received on losses paid.....	62,113 50		
<i>Liabilities</i>			
Claim reserve			76,765 81
Unearned premiums			14,319 64
Unearned premiums — excise	615 12		
Commissions, brokerage, etc.			7,976 58
Salaries, rents, expense bills, etc.			2,286 22
Estimated taxes on premiums.....	7,087 74		
Return premiums	778 70		
Reinsurance premiums			458 72
Unadjusted premiums	165 24		
Railway and mail clerk premiums.....			8,369 00
	\$70,853 63		\$155,659 80
Net decrease in surplus.....			84,806 17

Recapitulation

Surplus reported by company December 31, 1913, including contingent fund of \$170,139.69.....	\$1,670,139 69
Net decrease as result of this examination.....	84,806 17
Surplus as shown by examination on December 31, 1913..	<u>\$1,585,333 52</u>

Underwriting and Investment Exhibit

The following condensed exhibit sets forth the gains and losses for the year 1913:

Underwriting

Income earned	\$3,692,229 13
Losses incurred	\$1,415,760 99
Expenses incurred	1,736,043 63
	<u>3,151,804 62</u>
Gain from underwriting.....	\$540,424 51

Investments

Income earned	\$296,728 05
Expenses incurred and decrease in market value	337,172 72
	<u>40,444 67</u>
Loss from investments	40,444 67
Net gain from underwriting and investments.....	\$499,979 84
Dividends declared	240,000 00
	<u>\$259,979 84</u>
Increase in surplus during 1913.....	<u>\$259,979 84</u>

Agency Contracts

The company operates in every state of the Union, the District of Columbia, Hawaii, Porto Rico, Costa Rica, Mexico and Canada. The company also had a branch office in the Argentine Republic, but this was closed the first of this year. The business is operated through a system of branch offices, general and sub-agents and general territorial managers. The general agents are charged with the duty of developing their territory, appointing sub-agents and fixing the commissions, and are under the direct supervision of the home office. General agents are granted authority to execute bonds, the maximum amounts on fiduciary bonds being \$200,000, with joint control, and \$30,000 individual control; contract bonds, \$100,000; contract supply bonds, \$400,000;

and fidelity bonds with counter signature, \$25,000, and without, \$15,000; but are presumed to submit all large applications to the home office for approval, where time will permit. Where instructions are contravened, the agency is held responsible for any injury the company may suffer. Sub-agents are not allowed to execute bonds without prior submission to and approval of duly empowered attorneys in fact. To facilitate the passing upon bonds, the company has also appointed a number of resident vice-presidents and assistant secretaries, their services being paid by fees. There are eighteen branch offices located in the principal cities, in charge of a manager under salary, and the expenses of these offices are paid by the company. The company has three territorial managers.

Conclusion

As a result of a thorough investigation into the affairs of this company, we beg to report that its financial condition is sound and that it is honestly managed. The changes made in the company's figures do not materially affect its financial condition, as reported to the departments.

The company reported its surplus of December 31, 1913, as \$1,500,000, after having deducted an unassigned "Contingent Fund of \$170,139.69," while the surplus on that date as shown by this examination amounted to \$1,585,333.52, or an apparent increase of \$85,333.52, but an actual decrease of \$84,806.17. In arriving at the amount of surplus we have disregarded the item of \$170,139.69 carried by the company under liabilities under the caption "Contingent Fund."

NEW AMSTERDAM CASUALTY COMPANY

NEW YORK, N. Y.

Examination incident to sale of capital stock.

Report dated August 23, 1913.

Examiner: John E. Watson.

Examination limited to the transactions incident to the purchase of the capital stock of the company by the American Indemnity Company of Baltimore, and an examination of the bonds and stocks owned by the company on August 23, 1913.

In May, 1913, an agreement was entered into between a stockholders' committee of the New Amsterdam Casualty Company and the American Indemnity Company, whereby the latter company agreed to purchase the capital stock of the former at \$150 per share payable \$125 in cash and \$25 in capital stock of the American Indemnity Company on the basis of \$50 for every share of the stock of the American Indemnity Company issued at a par value of \$25.

The Empire Trust Company of 42 Broadway was designated as the depository for the transfer of the stock of both companies, and 3,986 shares of stock of the New Amsterdam Casualty Company, out of a total of 4,000, was so deposited.

The sale was consummated on July 15, 1913, and stock certificate was issued to the American Indemnity Company for 3,969 shares of stock for which the American Indemnity Company paid by certified check the sum of \$456,109.68 and in addition thereto transferred to the stockholders of the New Amsterdam Casualty Company 2,833 shares of the American Indemnity Company at the agreed value of \$50 per share, amounting to \$141,650.

A special meeting of the board of directors of the New Amsterdam was held on the same day at which nine of the directors resigned and others representing the American Indemnity Company were elected in their place. The present directorate numbers eighteen and a majority of them are residents of this State.

Mr. J. Arthur Nelson, the President of the American Indemnity, was elected Vice-President of the New Amsterdam. New names were added to the executive committee and a new vault committee was elected.

The securities of the New Amsterdam were, on the same day, transferred to the Mercantile Trust and Deposit Company of Baltimore.

In explanation of this transfer the Vice-President, Mr. J. Arthur Nelson, has stated that inasmuch as the principal stockholder was a Maryland corporation the directors felt that the securities, as a matter of convenience, should be deposited in Baltimore.

At the request of the Insurance Department said securities have now been returned to New York city and have been examined and counted as a part of this examination.

Arrangement will be made shortly by the board of directors for a safe deposit vault in New York city in which to place the securities, subject to the proper control of the officers and the vault committee.

THE NEW YORK PLATE GLASS INSURANCE COMPANY

NEW YORK, N. Y.

Examined to ascertain condition June 30, 1913.

Report dated August 13, 1913.

Examiner: Jesse Bacharach.

Ledger Assets

Mortgage loans	\$1,000 00
Book value of bonds...	182,453 81
Book value of stocks.....	669,563 69
Cash in company's office.....	2,523 59
Deposits in trust companies and banks.....	22,061 85
Premiums in course of collection.....	166,947 57
Total	\$1,044,550 51

Non-Ledger Assets

Interest accrued on bonds.....	2,536 66
	\$1,047,087 17

Deduct Assets Not Admitted.

Premiums in course of collection written prior to April 1, 1913.....	\$47,780 88
Book value of stocks and bonds over market value	106,737 50
	154,518 38
Total admitted assets.....	\$892,568 79

Liabilities

Unpaid losses	\$29,384 01
Unearned premiums on risks of one year or less	303,360 96
Unearned premiums on risks of more than one year	23,915 02
Commissions due agents on business written subsequent to April 1, 1913.....	39,289 23
Bills and accounts due and accrued.....	567 47

Taxes due and accrued.....	\$5,966 51	
Dividends due stockholders.....	8,000 00	
Advance premiums	1,498 15	
Total liabilities except capital.....		\$411,981 35
Capital	\$200,000 00	
Surplus over all liabilities.....	280,587 44	
Surplus to policyholders.....		480,587 44
		<u>\$892,568 79</u>

PREFERRED ACCIDENT INSURANCE COMPANY

NEW YORK, N. Y.

*Examined to ascertain condition May 31, 1913.**Report dated July 22, 1913.**Examiner: Jesse Bacharach.*

The Preferred Accident Insurance Company of New York, with home office at 80 Maiden lane, New York City, is a stock corporation transacting casualty business under the provisions of article II of the Insurance Law of the State of New York.

The company was last examined by the State of New York Insurance Department as of December 31, 1909, and report of such examination bears date as of March 15, 1910.

At the date of the last examination the company transacted business under a certificate of authority authorizing it to write business under subdivisions 1 and 2 of section 70. The company's authorized capital at that time was \$350,000. On September 19, 1911, the company amended its charter, increasing its capital from \$350,000 to \$700,000 and further amended its charter as to the kinds of insurance to be written to read, "those lines authorized under subdivisions 2, 3, 4 (excepting credit), 5, 6, 7, 8, 9 and 10 of section 70 of the Insurance Law."

Financial Statement

The financial condition of the company as of May 31, 1913, follows:

Ledger Assets

Mortgage loans	\$75,000 00
Book value of bonds.....	2,328,547 41
Book value of stocks.....	220,419 36
Cash in bank.....	106,294 43
Cash in office	1,540 18
Premiums in course of collection on policies issued after February 28, 1913	370,956 50
Premiums in course of collection on policies issued prior to February 28, 1913	63,570 56
Accounts receivable—due for reinsurance on losses paid.....	3,050 64
Workmen's Compensation Bureau.....	297 05
Agents' balances	13,970 10
Ledger Assets	\$3,183,646 23

Non-Ledger Assets

Interest accrued on bonds.....	\$17,079 87
Interest accrued on cash in bank.....	474 49
Balance due from State of New York, being over payment of tax on premiums.....	500 00
	18,054 36
Gross assets	\$3,201,700 59

Deduct Assets Not Admitted

Accounts receivable (amount due from non-admitted company, viz., Munich Reinsurance Company) ..	\$3,029 33
Agents' balances (advances to agents).....	13,970 10
Premiums in course of collection written prior to March 1, 1913	63,570 56
Book value of bonds and stocks over market value	218,820 77
	299,390 76
Admitted assets	\$2,902,309 83

Liabilities

Unpaid losses:		
Accident and health.....	\$153,585 00	
Plate glass	908 02	
Burglary and theft	6,635 00	
Automobile property damage.....	15,565 24	
Total	\$176,693 26	
Special reserve for unpaid liability losses.....	45,593 23	
Total unpaid claims and expenses of settlement.....		\$222,286 49
Unearned premiums:		
One year or less	\$961,445 62	
Term	18,960 08	
		980,405 70
Commissions		74,123 70
Salaries, rents, expenses, bills, etc.....		6,431 76
Taxes (estimated)		17,112 00
Unpaid dividends		14,000 00
Reinsurance due other companies (net).....		3,795 23
Advance premiums (100%).....		3,319 25
Interest paid in advance on mortgage loan.....		1,301 24
Present value of annuities issued in settlement of claims.....		92,977 52
Total amount of liabilities except capital.....		\$1,415,752 89
Capital stock	\$700,000 00	
Surplus over all liabilities.....	786,556 94	
Surplus as regards policyholders.....		1,486,556 94
Total liabilities		<u>\$2,902,309 83</u>

Present value of annuities used in settlement of claims:

The company reported outstanding on December 31, 1912, twenty-three annuity contracts issued to beneficiaries under accident policies in lieu of payment in lump sum. Ten of these contracts provide payment in quarterly instalments of \$10 per week during the lifetime of the parties covered thereunder. Ten contracts provide quarterly instalments at the rate of \$10 per week for a period of ten years. Two contracts call for payment at the rate of \$5 per week for twenty years and one for \$7.50 per week for fifteen years.

A reserve of \$105,809 was set up in the 1912 statement to cover these contingencies. This seems to have been more than adequate. The system used by the company in computing the

reserves is rather unscientific. On the contracts involving life annuities, the gross female annuity rates of the Equitable Life Assurance Society for 1897 were used at the attained age with a deduction of 5 per cent. The temporary annuities were valued without regard to interest or mortality, the total amount of all future payments being set up as a liability.

A valuation of the annuities as of May 31, 1913, made by employing the company's method makes the total liabilities on this score \$102,290.07. A complete valuation of these contracts has, however, been made on the basis of the Combined Experience Table of Mortality with interest assumption of 4 per cent. This valuation was as of May 31, 1913. Three of the temporary annuity contracts did not state the age of the annuitant so that in valuing these policies it was impossible to employ the mortality factor — discount at 4 per cent. was, however, taken. The result of the aforesaid valuation gives a total present value of annuities amounting to \$92,977.52, which would seem to be sufficient to meet accruing claims and liabilities in the form of quarterly payments under outstanding annuity contracts. An exhibit is herewith attached.

Liability lines:

The company began writing liability business, all branches, on October 1, 1911, but found the business, especially the contractors' and manufacturers' branch, to be unprofitable, and therefore, on January 1, 1913, discontinued writing contractors' and manufacturers' liability policies. It now writes only auto and general liability.

Life Annuity Policies:

The company is now reserving on a number of annuity policies written in previous years, but since 1911 the company has discontinued the writing of such policies.

Recommendations of previous examination:

In the report of the examination of this company made under date of March 15, 1910, were several recommendations with

reference to the bookkeeping and accounting methods. Your examiner finds that since 1910 the accounting system has been entirely changed in conformity with such recommendations. The company now has a simple, compact and efficient set of accounts, susceptible of an easy check.

The following is an exhibit of the underwriting gains and losses for the various lines for the three years and five months under examination.

<i>Underwriting</i>		
	<i>Loss</i>	<i>Gain</i>
Accident and health.....		\$574,537 90
Liability	\$101,751 21	
Plate glass	8,643 68	
Burglary and theft.....	33,011 62	
Auto and teams property damage.....	41,281 84	
	\$184,688 35	
Gain from underwriting	389,849 55	
		\$574,537 90

<i>Investments</i>		
Investment income		\$304,995 00
Loss on sale of bonds.....	\$610 48	
Loss on change in difference between book and market value	131,470 60	
Investment expenses	13,272 85	
	\$145,353 93	
Gain from investments	159,641 07	
		\$304,995 00

	<i>Loss in surplus</i>	<i>Gain in surplus</i>
Gain from underwriting.....		\$389,849 55
Gain from investments.....		159,641 07
Loss by dividends declared.....	\$448,000 00	
	\$448,000 00	\$549,490 62
Net gains in surplus.....	101,490 62	
	\$549,490 62	\$549,490 62

ROYAL INDEMNITY COMPANY

NEW YORK, N. Y.

*Examined to ascertain condition December 31, 1913.**Report dated July 14, 1914.**Examiner: Jesse Bacharach.*

HISTORY

The Royal Indemnity Company is a joint stock corporation, organized and incorporated January 24, 1911, to transact business under subdivisions 2, 3, 4, 5, 6, 7, 8 and 9 of section 70 of the insurance law.

The original authorized capital stock was \$500,000.00, consisting of 5,000 shares of a par value of \$100.00 each. On April 11, 1911, the capital stock of the company was increased to \$1,000,000.00, consisting of 10,000 shares of a par value of \$100.00 each.

A contribution by the stockholders to the surplus of the company amounting to \$545,506.50 was made when the original capital stock was subscribed for, a second contribution to surplus of \$300,000.00 was made December 19, 1911, and an additional contribution of \$250,000.00 was made on December 19, 1912.

FINANCIAL STATEMENT

The following financial statement shows the company's condition as of December 31, 1913:

<i>Ledger Assets</i>		
Book value of bonds.....		\$2, 608, 202 04
Cash in office.....		976 31
Cash in bank on interest.....		342, 576 23
Premiums in course of collection:		
	<i>On policies issued on or after Oct. 1, 1913</i>	<i>On policies is- sued prior to Oct. 1, 1913</i>
Accident	\$56, 730 70	\$1, 916 43
Health	17, 696 35	1, 101 28
Liability	283, 378 07	15, 310 47
Workmen's compensation.....	118, 222 18	7, 304 68

	<i>On policies issued on or after Oct. 1, 1913</i>	<i>On policies is- sued prior to Oct. 1, 1913</i>	
Fidelity	\$20,941 86	\$1,569 15	
Surety	9,053 55	1,003 75	
Plate glass	31,615 10	1,386 72	
Steam boiler	9,838 91	396 01	
Burglary	40,400 17	3,067 25	
Fly wheel	2,215 31	.....	
Auto and team property dam- age	36,124 19	4,840 18	
Workmen's collective	1,776 31	348 15	
Total	<u>\$627,986 50</u>	<u>\$38,244 07</u>	\$666,230 57
Premium notes			592 60
Workmen's Compensation Service Bureau			9,025 13
Advances to agents			4,221 09
Ledger assets as per balance			<u>\$3,631,823 97</u>
<i>Non-Ledger Assets</i>			
Interest due and accrued			38,193 15
Gross assets			<u>\$3,670,017 12</u>
<i>Deduct Assets Not Admitted</i>			
Premium notes		\$592 60	
Premiums in course of collection on business written prior to October 1, 1913		38,244 07	
Book value of bonds over market value		112,833 86	
Advances to agents		4,221 09	
		<u>155,891 62</u>	
Total admitted assets			<u><u>\$3,514,125 50</u></u>
<i>Liabilities</i>			
Unpaid losses and claims:			
Accident and health		\$27,917 70	
Fidelity and surety		15,920 92	
Plate glass		8,511 96	
Steam boiler		312 17	
Burglary and theft		10,798 75	
Workmen's collective		1,350 05	
Property damage		34,051 38	
Special reserve for unpaid liability and work- men's compensation losses		390,075 19	
Total unpaid losses and claims			<u><u>\$488,938 12</u></u>

Estimated expense of investigation and adjustment of unpaid claims	\$3,550 00
Unearned premiums (pro rata)	1,228,466 62
Commission on business written after October 1, 1913	146,136 34
Salaries, rents, bills and accounts due and accrued	5,921 45
Taxes due and accrued	46,343 46
Advance premiums	9,028 41
Total liabilities except capital	\$1,928,384 40
Capital	\$1,000,000 00
Surplus over all liabilities	585,741 10
	1,585,741 10
Total liabilities	\$3,514,125 50

CLAIM SETTLEMENTS

A thorough review of the claim jackets, by your examiners, shows that the company is reserving on an adequate basis, the payments in a majority of cases being below the amounts estimated.

Workmen's compensation claims were reviewed in detail and it was found that settlements were equitably made, and in accordance with the laws of the various states.

The resisted cases in the various lines are few.

Policy contracts are liberally and fairly interpreted. All claims are quickly and thoroughly investigated and only those resisted which the company fairly believes are fraudulent.

Losses and Gains

The following statement shows the underwriting losses and gains for the year ending December 31, 1913:

<i>Line</i>	<i>Losses</i>	<i>Gains</i>
Accident and health	\$40,365 95	.....
Liability . . . . .	.....	\$20,443 34
Workmen's compensation . . . . .	.....	3,245 78
Fidelity . . . . .	.....	21,814 84
Surety . . . . .	.....	13,129 44
Plate glass	10,793 85	.....
Steam boiler . . . . .	.....	10,406 08
Burglary and theft	2,898 23	.....
Fly wheel . . . . .	.....	2,149 68
Property damage . . . . .	.....	6,193 54
Workmen's collective . . . . .	.....	2,450 16
	\$54,058 03	\$79,832 86
		54,058 03
Underwriting profit		\$25,774 83

FIELD OF OPERATIONS

The company operates in forty-two states and the District of Columbia. Two branch offices are maintained, viz.: New England Department, Boston, Mass., and Pacific Coast Department, San Francisco. An analysis of the agency contracts shows a reduction of commissions in all lines, especially those which came under the Insurance Department ruling of October 1, 1913. The acquisition expense is kept within this requirement.

CAPITAL STOCK OWNERSHIP

The capital stock of the company is owned almost entirely by the Royal Insurance Company of Liverpool, England, said company owning 9,935 of the 10,000 shares, and has control of the remaining 65 shares.

CONCLUSION

This examination shows that in addition to a large capital, the company is in possession of a substantial surplus and is fortified with strong financial alliances.

The company is efficiently and economically managed.

Its books of account and other records are well kept, and its statements to the various insurance departments are correctly prepared. This is true also of the claim division, the records here being easy of access and in good control. Claims are quickly and equitably settled and the company fulfills its obligations to policyholders and claimants in a spirit of fairness.

SOUTHERN SURETY COMPANY

MUSKOGEE, OKLA.

Joint examination by Oklahoma, New York and Tennessee to ascertain condition June 30, 1913.

Report dated July 31, 1913.

Examiners: For Oklahoma, Arthur W. Pettit; for New York, John L. Train and Charles E. Heath; for Tennessee, C. M. Joseph.

Under its charter the company is authorized to transact the business of surety and fidelity, accident and health, liability and

workmen's compensation insurance and to transact a title insurance business in the State of Oklahoma. The company is not now writing any liability or workmen's compensation insurance. The company transacts business in the following states: Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Mississippi, Missouri, New York, Nebraska, New Jersey, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas and West Virginia.

HISTORY

This company was incorporated under the laws of the State of Oklahoma on May 10, 1907, with an authorized capital of \$400,000, divided into \$200,000 common stock and \$200,000 preferred stock. The preferred stock certificates contain the following provision as to dividends:

The preferred stock shall bear an annual dividend at the rate of 7 per cent. per annum and no more, which shall be cumulative and which shall have preference over the common stock in payment, payable in two semi-annual payments of 3½ per cent. each on the last days of June and December of each year.

Regarding the preferred stock, the by-laws provide as follows:

The stock of the company shall be divided into two classes, one of which shall be preferred with a guaranteed cumulative dividend, and preference in payment over the common stock, and the other of which shall be common, with ordinary rights subject to the preferred.

And also:

Any time after the expiration of seven years from July 1, 1907, such preferred stock may be retired, and, if retired, a like amount of either preferred stock or common stock, or as much of both as will amount to a like amount, may be issued.

At the time of its organization, the Southern Surety Company reinsured the surety and fidelity business of the Southern Trust Company, which was incorporated under the banking laws of Oklahoma. The stockholders of both companies were identical. As a consideration for such reinsurance, the Southern Trust Company turned over to this company assets of a book value of \$20,000 over and above the premium and claim reserve, and, unless this \$20,000 can be so considered, the company started with no paid in surplus.

In July, 1910, the authorized capital stock of the company was increased from \$400,000 to \$1,000,000, all of such increase being

in common stock. The plan of the company was to sell this increase of stock through agents on a commission basis, but in December, 1910, upon the recommendation of the Oklahoma Insurance Department, the contract was canceled.

During the months of March, April and May, 1911, the company sold 35,000 shares of the common stock, par value \$10 a share, at a price of about \$16 a share, thereby increasing the paid up capital stock of the company to 55,000 shares of common stock, par value \$550,000, and 20,000 shares of preferred stock, par value \$200,000, or a total capital stock of \$750,000. The stockholders purchasing this stock paid into the surplus of the company \$187,607. On May 17, 1911, the board of directors took proper action to decrease the amount of the authorized capital to \$750,000.

On June 7, 1912, the board of directors authorized the executive committee to purchase any outstanding preferred stock at a price not exceeding par and accrued interest and to immediately reissue the same amount of common stock at not less than \$16 a share. Pursuant to this resolution, ten of the stockholders, owning 5,000 shares of preferred stock, sold the same to the company and thereupon purchased 5,000 shares of the common stock, paying therefor \$16 per share, plus the difference in dividends, thereby paying into the surplus of the company \$30,750, making the outstanding preferred stock \$150,000 and the common stock \$600,000.

Excluding the amount turned over to the Southern Surety Company at the time of the reinsurance of the business of the Southern Trust Company, the stockholders have paid into the surplus \$218,357.

At the time of its incorporation, the home office of the company was located in Oklahoma City, Oklahoma, but its general offices from which it transacted business were located at Denison, Texas. In 1909, the company moved its home office and general offices to Muskogee, Oklahoma. In 1911, the general offices of the company were moved from Muskogee, Oklahoma, to St. Louis, Missouri, and the general business of the company has since been transacted from the latter city.

This examination of the company was made at St. Louis, Missouri. The company, however, still claims Muskogee, Oklahoma, as its home office. However, all the records and books of the company are in the St. Louis office, and no official business of the company is transacted at the Muskogee office, except the annual meetings of the stockholders and occasional meetings of the board of directors.

FINANCIAL STATEMENT

The following is a statement of the assets and liabilities of the company on June 30, 1913:

LEDGER ASSETS	
Warrants	\$37,932 53.
Book value of real estate.....	4,000 00
Contract of sale of real estate.....	3,600 00
Mortgage loans	364,760 63
Collateral loans	14,500 00
Book value of bonds.....	\$198,291 25
Book value of stocks.....	267,500 00
	465,791 25
Cash in company's office.....	\$2,704 64
Deposits in banks.....	97,001 42
	99,706 06

Premiums in course of collection:

	<i>On policies or renewals after April 1, 1913</i>	<i>On policies or renewals prior to April 1, 1913</i>	
Accident	\$2,569 63	.....	
Fidelity	20,385 79	\$4,252 24	
Surety	77,113 50	17,534 37	
Title .....	.....	89 40	
Totals	\$100,068 92	\$21,876 01	
			121,944 93
Bills receivable			1,506 11
Other ledger assets, viz.:			
Accounts receivable	\$8,560 88		
Advances on contracts.....	37,541 94		
Commercial Bank & Trust Co....	10,656 07		
New York Excise Reinsurance Association	24,623 80		
Total		81,382 69	

Ledger assets \$1,195,124 25

NON-LEDGER ASSETS

Interest due, \$4,687.25, and accrued, \$6,189.95, on mortgage loans	\$10,877 20	
Interest accrued on bonds.....	3,725 82	
Interest accrued on collateral loans.....	157 77	
Interest due and accrued on State and city warrants	1,388 77	
Interest past due on contract of sale.....	522 30	
Interest accrued on bank balances.....	66 90	
		<u>\$16,738 76</u>
Gross assets		\$1,211,863 01

DEDUCT ASSETS NOT ADMITTED

Accounts receivable	\$8,560 88.	
Advances on contracts.....	37,541 94	
Due from Commercial Bank & Trust Co.....	2,533 33	
Premiums in course of collection written prior to April 1, 1913.....	21,876 01	
Book value of ledger assets over market value, viz: Stocks and bonds.....	2,600 00	
Mortgage loan disallowed.....	5,000 00	
Bills receivable	1,506 11	
		<u>79,618 27</u>
Admitted assets		<u><u>\$1,132,244 74</u></u>

LIABILITIES

Losses and claims:

Accident	\$15,902 82	
Fidelity	22,179 67	
Surety	48,521 14	
		<u>\$86,603 63</u>
Total unpaid losses.....		
Gross premiums one year, \$345,-142.74; unearned premiums on same	\$172,571 37	
Gross premiums more than one year, \$34,283.68; unearned premiums on same.....	19,142 69	
Excise N. Y. gross premiums, \$62,-802.98; unearned premiums on same	15,700 74	
		<u>207,414 80</u>
Total unearned premiums.....		
Commissions due agents:		
Accident	\$693 80	
Surety	24,834 31	
		<u>25,528 11</u>
Total		

Bills due and accrued.....	\$2,809 59	
Estimate for taxes.....	5,200 00	
Dividends declared and unpaid to stockholders..	5,250 00	
Reinsurance (net).....	3,494 98	
Advance premiums	10,653 24	
Personal property tax in Oklahoma.....	5,054 42	
Total amount of liabilities, except capital.....		\$352,008 77
Capital stock paid up in cash.....	\$750,000 00	
Surplus over liabilities.....	30,235 97	
Surplus to policyholders.....		780,235 97
Total liabilities		<u>\$1,132,244 74</u>

DIVIDENDS

Since the company commenced the transacting of the business of insurance in 1907, it has declared to its stockholders the following dividends:

			<i>Preferred</i>		<i>Common</i>	<i>Capital</i>
1907	\$34,000*	7%	\$14,000	10%	\$20,000	\$400,000
1908	34,000	7%	14,000	10%	20,000	400,000
1909	34,000	7%	14,000	10%	20,000	400,000
1910	34,000	7%	14,000	10%	20,000	400,000
1911	69,000	7%	14,000	10%	55,000	750,000
1912	35,250	7%	5,250	5%	30,000	750,000
1913	10,500	7%	10,500	....	.....	750,000

* Dividends \$250,750

From the viewpoint of representatives of insurance departments, and computing the profits of this company on an insurance department basis, it seems clear to us that the company has not earned in the aggregate the amount of the dividends paid. It is certainly evident that, with the present surplus of \$30,235.97, and considering the amount paid in by stockholders, amounting to \$218,357, the company has not earned, from underwriting and investments, anywhere near the sum of \$250,750, which it has declared as dividends. Further, under the agreement with the preferred stock certificate holders, the regular dividend on such

*The Southern Trust Company turned over \$17,000 to this company to pay the semi-annual dividend due June 30, 1907.

stock, amounting to 7 per cent. per year, seems to be a fixed charge. That it is so considered by the company seems evident inasmuch as the company, on July 1, 1913, paid a dividend of \$5,250 on such stock, and, from an insurance accounting standpoint, there certainly has been no profits earned by the company during the past six months which would justify a dividend on any of its stock. The laws of the State of Oklahoma, under which this company is organized, provide as follows:

It shall not be lawful for the directors, trustees or managers of any insurance company incorporated by the laws of this State to make any dividend, except from the surplus profit. Any dividend made contrary to this act shall subject the company making the same to a forfeiture of its charter, and each stockholder receiving it to a liability to the creditors of such company to the extent of double the amount of the dividend declared.

Your examiners would recommend that, under the power given to the directors, the company retire the preferred stock amounting to \$150,000, by July 1, 1914. We would also suggest that the company be notified that no dividends shall be paid, either on the preferred or common stock, until such dividends shall be clearly shown to have been earned.

SURPLUS

The surplus of the company at the end of each year since its organization, as shown by its annual reports, and the surplus on June 30, 1913, as shown by this examination, is as follows:

Year	Surplus
1907	\$53,528 33
1908	43,054 85
1909	74,459 06
1910	91,205 99
1911	215,240 16
1912	176,457 32
1913 (June 30)	30,235 97

The following statement will show the underwriting and investment experience of the company from the date of its organization to date. Such statement shows the financial history of the

company and the factors resulting in its present surplus of \$30,235.97:

<i>Underwriting:</i>		
Income	\$1,895,534 96	
Expenses and losses.....	1,258,697 56	
Difference		\$136,837 40
Less:		
(a) Liabilities	\$841,704 85	
(b) Non-admitted assets	72,018 27	
		413,722 62
Loss from underwriting.....		\$276,885 22
<i>Investments:</i>		
Income:		
(a) Interest	\$289,990 50	
(b) Increase in value of assets.....	119,577 06	
(c) Received from Southern Trust Co. for dividends	17,000 00	
(d) Profit on sale of assets.....	5,240 33	
(e) Sale of bond contracts	15,000 00	
Total	\$446,807 89	
Disbursements:		
(a) Decrease in value of assets.....	\$37,348 91	
(b) Interest	24,758 69	
(c) Notes charged off	849 08	
(d) Loss on sale of assets	25,562 45	
(e) Taxes on real estate.....	163 85	
(f) Taxes on per- sonal property	20,892 61	
(g) U. S. income tax	493 60	
(h) Miscellaneous ..	1,380 90	
Total	111,378 04	
Difference	\$335,429 85	
Plus non-ledger assets June 30, 1913.	16,738 76	
Total		\$352,168 61
Less:		
(a) Liabilities	\$10,304 42	
(b) Non-admitted assets.....	7,600 00	
		17,904 42
Gain from investments.....		334,264 19
Balance		\$57,378 97
Surplus paid in.....	\$218,357 00	
Dividends paid	245,500 00	
		27,143 00
Surplus, June 30, 1913.....		\$30,235 97

SUMMARY

As a result of this examination, we respectfully make the following recommendations:

1. That the company dispose of the bonds of the Greenville Gas Company, of Greenville, Texas.

2. That the company sell the stock of The St. Louis Security Company and the Pioneer Abstract and Trust Company, both of Muskogee, Oklahoma, at an early date.

3. That the company limit its net liability on bonds written to 10 per cent. of its capital and surplus.

4. That the management expenses of the company be reduced.

5. That no dividends be paid to the stockholders, on either the preferred or common stock, until the earnings of the company are clearly shown to warrant the same.

UNITED STATES CASUALTY COMPANY

NEW YORK, N. Y.

Examined to ascertain condition September 30, 1913.

Report dated January 6, 1914.

Examiner: John L. Train.

HISTORY

This company was incorporated in 1895 with a capital stock of \$300,000. In 1906 the capital was increased to \$400,000 and in 1909, by a stock dividend, the capital was increased to \$500,000, its present capital. Under its charter the company is authorized to write the business of accident and health, liability, workmen's compensation, teams property damage, burglary, larceny and theft, steam boiler, fly wheel, sprinkler leakage, plate glass, and automobile collision and property damage insurance. The company is authorized to transact business in the District of Columbia and all of the states of the United States, except Arizona, Arkansas, Idaho, Montana, Nevada, Oklahoma, South Dakota, Utah and Wyoming.

Since the last examination of the company, made as of December 31, 1909, it has reinsured the accident, health and liability business of the Empire State Surety Company of New York, and the liability business of the People's Surety Company of New York.

FINANCIAL STATEMENT

The following is a statement of the assets and liabilities on September 30, 1913:

Ledger Assets

Book value of real estate.....	\$4,500 00
Mortgage loans	300,250 00
Book value of bonds.....	933,339 96
Book value of stocks.....	1,350,141 36
Cash in company's office.....	5,971 88
Deposits in banks not on interest.....	35,718 57
Deposits in banks on interest.....	65,027 83
Premiums in course of collection:	

	<i>On policies issued after July 1, 1913</i>	<i>On policies prior to July 1, 1913</i>	
Accident	\$60,535 18	\$2,321 44	
Health	27,939 32	1,738 66	
Liability and workmen's compensation and work- men's collective	151,791 06	14,962 13	
Plate glass	2,761 95	163 05	
Steam boiler and fly wheel.	6,767 70	90 30	
Burglary and theft.....	10,258 55	907 68	
Sprinkler	3,650 98	325 08	
Automobile and teams property damage	3,690 50	139 00	
Totals	<u>\$267,395 24</u>	<u>\$20,647 34</u>	288,042 58
Agents' balances:			
Dr.		\$1,985 98	
Cr.		4,453 17	
Net Cr.			—2,467 19
Cash in hands of resident managers and adjusters.....			4,700 00
Workmen's Compensation Reinsurance and Inspection Bureau			3,324 19
Ledger assets as per balance.....			<u>\$2,988,549 18</u>

Non-Ledger Assets

Interest accrued on mortgages.....	\$4,212 70	
Interest accrued on bonds.....	14,316 74	
		<u>18,529 44</u>
Gross assets		<u>\$3,007,078 62</u>

Deduct Assets Not Admitted

Premiums in course of collection written prior to July 1, 1913.....	\$20,647 34	
Cash in hands of resident managers and . adjusters	4,700 00	
Agents' debit balances.....	1,985 98	
Book value of bonds over market value.....	73,629 96	
Book value of stocks over market value....	202,111 36	
		\$303,074 64

Admitted assets		\$2,704,003 98
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Liabilities

Unpaid claims, including adjustment expenses:

Accident	\$93,726 69
Health	22,691 68
Plate glass	1,528 76
Steam boiler	1,265 00
Burglary and theft.....	20,868 79
Sprinkler	692 37
Automobile and teams property damage..	3,338 87
Workmen's collective	223 66

Total	\$144,335 82
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Special reserve for liability and workmen's compensation losses	175,190 00
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Total unpaid losses.....	\$319,525 82
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Gross premiums, one year.. \$1,486,961 58

Unearned premiums pro rata..... \$754,629 37

Gross premiums, more than

one year 240,474 92

Unearned premiums pro rata..... 129,183 73

Total unearned premiums.....	883,813 10
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Commissions due agents:

Accident	\$18,057 61
Health	8,446 06
Liability, workmen's compensation and workmen's collective	32,392 21
Plate glass	886 03
Steam boiler and fly wheel.....	1,578 22
Burglary and theft.....	2,900 09
Sprinkler	866 01
Automobile and teams property damage...	848 82

Total	65,975 05
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Salaries accrued and bills unpaid..... 5,043 31

Taxes on premiums..... 27,673 68

Dividends declared and unpaid..... 12,760 00

Reinsurance, \$7,055.17; less commissions, \$2,344.50.....	\$4,710 67
Munich reinsurance reserve.....	11,057 16
Total amount of liabilities, except capital.....	\$1,330,558 79
Capital, paid up in cash.....	\$500,000 00
Surplus over liabilities.....	873,445 19
Surplus to policyholders.....	1,373,445 19
Total	\$2,704,003 98

Liability Loss Reserve:

In order to compute the liability loss reserve of the company as of September 30th, it was necessary to modify the method prescribed by section 86 of the insurance law. Under the law it is necessary to obtain the experience for ten calendar years. As September 30, 1913, is three-fourths of the year, the last year was completed by adding to the earned premiums and paid losses of 1913, one-fourth of the same items for 1912. The same method was used for each of the nine preceding years. The outstanding suits were divided into years according to the actual date of the issue of the policies upon which the suits were brought. Experience has shown that this method gives practically the same results obtained from the allocation of premiums and losses into calendar years.

The experience factor for the first five years of the ten year period was found to be but 46.71 per cent. As the insurance law prescribes a minimum loss factor for the year prior to December 31, 1913, of fifty-one per cent., that factor was used in computing the liability loss reserve as of September 30. The schedule showing the computation of such reserve appears as follows:

Year policies issued. Ending Sept. 30	51% earned premiums	Deduct payments and expenses	Remainder	Suits pending Sept. 30, 1913	Suits and unpaid compensa- tion claims	Reserve
1909	\$402,491	\$510,840	—\$108,349	3	\$2,250	\$2,250
1910	417,463	557,552	—140,089	13	9,750	9,750
1911	467,004	500,092	—33,088	67	50,500	50,500
1912	471,614	418,520	53,094	136	115,189	53,094
1913	236,048	179,452	56,596	117	98,374	56,596
Totals	\$1,994,620	\$2,166,456	—\$171,836	336	\$276,063	\$172,190
Reserve on four suits on policies issued prior to September 30, 1908						3,000
Liability loss reserve September 30, 1913.....						\$175,190

It is apparent from the experience of the company that the loss reserve shown amounting to \$175,190 is inadequate. To obtain that reserve a loss ratio factor of 51 per cent was used in accordance with the insurance law. However, it will be noted that the loss ratio on the uncompleted experience of the last five years, as shown above, is 62.45 per cent. While it is true that such experience is incomplete, the loss ratio, as shown by the statistics of this and other companies, will increase rather than decrease. However, the experience of the first three years of the last five year period is practically complete, and the average loss ratio for those three years is shown to be 64.63 per cent. We therefore find that the loss ratio of 46.71 per cent shown by the experience of the years 1904 to 1908, inclusive, increases to a loss ratio of 64.63 per cent for the years 1909 to 1911, inclusive. Obviously a loss ratio factor of 46.71 per cent, or the 51 per cent provided by law, is inadequate to provide for the liability losses on the business of the last five years, especially that of 1912 and 1913. The experience of the company for 1909, 1910 and 1911 shows that the losses paid have already exceeded the expected loss ratio on a fifty-one per cent basis by \$281,526. If the loss reserve were computed on the basis of the experience of the first three years of the last five year period, that is 1909, 1910 and 1911, which experience shows a loss ratio of 64.63 per cent, the liability loss reserve on September 30, 1913, would be \$405,539, or an increase over the reserve computed under the law of \$230,349. The officials of the company, realizing the inadequacy of the legal reserve for liability claims, carried a voluntary reserve on September 30, 1913, of \$192,695.20. However, the company is now writing a considerable volume of workmen's compensation business, the amount of unearned premiums on such business during 1912 and 1913 being \$258,003.79 or 18.6 per cent of the total earned premiums shown in the foregoing schedule for those two years. The losses on compensation policies mature and are liquidated much more rapidly than under liability policies, so that most of the losses that might arise under compensation policies have already been liquidated. Further, the practically completed experience based on earned premiums shows a loss ratio of but 44.3 per cent on workmen's compensation business and that low ratio will, of course, offset to some extent the higher loss ratio on the liability business.

It is therefore clear that a loss reserve as applied to this company, computed in accordance with section 86 of the insurance law, is inadequate. In ascertaining to what extent the legal reserve is less than the amount actually needed to mature claims, the effect of increased rates and the good experience on compensation business must be given consideration. In view of these factors a loss ratio of 60 per cent applied to both compensation and liability business, would seem to be approximately correct.

Surplus

As a result of this examination, we find the surplus of the company to be \$873,445.19. In the quarterly statement of the company as of September 30, 1913, its surplus is reported as \$700,000, and on that basis the surplus has been increased \$173,445.19 by this examination. However, the company in its report as of September 30, 1913, carried a voluntary reserve of \$40,179.20, and also a contingent reserve for liability losses of \$152,516 in addition to the legal reserve of \$175,190, the total amount of voluntary reserves created being \$192,695.20, but this amount cannot, under the law, be considered as a liability in this examination. On account of the inadequacy of the legal liability loss reserve, as explained before in this report, it is believed that most if not all of the voluntary reserves will be needed to meet the losses under liability policies, and, of course, should be taken into consideration as affecting the surplus shown by this examination.

GAIN AND LOSS EXHIBITS

The following are condensed gain and loss exhibits, covering underwriting and investments for the year 1912 and for the first nine months of 1913:

UNDERWRITING, 1912

Income earned	\$1,816,174 22	
Losses incurred	\$1,075,697 16	
Expenses incurred	778,640 06	
		1,854,337 22
Loss from underwriting, 1912.....		\$38,163 00
Dividends declared		50,000 00
Total losses		<u>\$88,163 00</u>

INVESTMENTS, 1912

Income earned	\$116,063 04	
Expenses incurred and difference in security values....	32,280 26	
Gain from investments.....	\$83,782 78	
Decrease in special reserves.....	4,380 22	
Total gains		\$88,163 00

UNDERWRITING, JANUARY 1 TO SEPTEMBER 30, 1913

Income earned	\$1,407,021 25	
Losses incurred	\$820,001 88	
Expenses incurred	614,645 35	
	1,434,647 23	
Loss from underwriting during 1913.....		\$27,625 98

INVESTMENTS, JANUARY 1 TO SEPTEMBER 30, 1913

Investment expenses incurred	\$3,681 05	
Difference in security values		
Dec. 31, 1912, and Sept. 30, 1913	123,668 34	
	\$127,349 39	
Investment income earned.....	91,686 07	
Loss from investments during 1913.....		35,663 32
Dividends declared		37,500 00
Total losses		\$100,789 30
Special reserves December 31, 1912, not carried September 30, 1913		174,234 49
Net gain in surplus during nine months of 1913.....		\$73,445 19
Surplus September 30, 1913.....	\$873,445 19	
Surplus December 31, 1912.....	800,000 00	
		\$73,445 19

The company allocates all underwriting and claim expenses to particular lines of business. Part of such expenses are so divided according to expenses actually incurred, the balance according to the ratio which the business written in each particular line bears to the total. After testing the method used in thus allocating expenses to the various lines of business, we are satisfied that the results obtained are reasonably correct. We have therefore subdivided the combined underwriting gain and loss exhibits into classes of business, and the following table will show such gains

or losses as they affect the surplus of the company for the year 1912 and the first nine months of 1913:

<i>Line of business</i>	<i>1912</i>		<i>First 9 months 1913</i>	
	<i>Gain</i>	<i>Loss</i>	<i>Gain</i>	<i>Loss</i>
Accident and health.....	\$44,810 84			\$29,615 53
Liability, workmen's compensation, auto and teams property damage		\$80,266 94	\$29,036 18	
Burglary and theft.....	4,763 00			15,732 71
Steam boiler, fly wheel and sprinkler leakage.		5,496 95		5,271 38
Plate glass		1,972 95		6,042 54
Totals	\$49,573 84	\$87,736 84	\$29,036 18	\$56,662 16
Net underwriting loss...	38,163 00		27,625 96	
	\$87,736 84	\$87,736 84	\$56,662 16	\$56,662 16

NOTE.—The gains or losses on liability and workmen's compensation are based on the loss reserves computed according to section 86 of the Insurance Law, which reserves, as far as this company is concerned, are inadequate, but the above exhibit shows the effect of such business on the surplus as reported by the company and as shown by this examination.

A comparison of the ratio of losses incurred to earned premiums by classes of business for the year 1912 and the first nine months of 1913, is here shown:

<i>Class of business</i>	<i>Loss ratio percentage</i>	
	<i>1912</i>	<i>1913 (9 months)</i>
Accident and health.....	50.89	58.30
Burglary and theft.....	45.46	79.06
Boiler, fly wheel and sprinkler.....	35.20	37.83
Plate glass	9.55	65.87

DIVISION OF BUSINESS WRITTEN

The following table will show the percentage which each line of business written bears to the total business written by the company during the first nine months of 1913:

<i>Line of business</i>	<i>Percentage ratio</i>
Accident	25.88
Health	11.75
Liability	43.51
Workmen's compensation	9.10
Plate glass	.78
Steam boiler	1.33
Burglary and theft.....	3.93
Sprinkler leakage	1.34
Fly wheel	.05

<i>Line of business</i>	<i>Percentage ratio</i>
Auto and teams property damage.....	2.20
Workmen's collective	.13
Total	100.00

The liability business, the premiums on which amounted to \$625,490.87 or 43.51 per cent of the total premiums written during the first nine months of 1913, is subdivided into the various liability lines as follows:

<i>Liability Line</i>	<i>Percentage</i>
General	13.57
Vessel	.84
Teams	6.52
Elevator	6.51
Public	7.74
Employers	43.80
Contingent	.64
Physicians and druggists.....	2.75
Automobile	17.63
	100.00

Of the total liability and workmen's compensation premiums combined written during the same period, the premiums on workmen's compensation represent 17.26 per cent.

WORKMEN'S COMPENSATION

This company writes workmen's compensation insurance in the states of California, Connecticut, Illinois, Kansas, Massachusetts, Michigan, Minnesota, New Jersey, Rhode Island, Texas and Wisconsin.

The experience of the company on this class of business to September 30, 1913, is here shown:

	<i>Premiums written</i>	<i>Losses paid (including claim expenses)</i>
1911	\$6,236 47	
1912	176,101 20	\$25,377 17
1913 (9 months)	130,795 74	67,576 04
	\$313,133 41	\$92,953 21
Less unearned premiums.....	48,793 15	
Plus outstanding claims.....		24,063 00
Totals	\$264,340 26	\$117,016 21

Ratio of losses incurred to earned premiums: 44.3 per cent.

An investigation of the claims paid under workmen's compensation policies, shows that settlements are fairly and promptly made in all cases where it is apparent from the facts and the law that liability exists. The superiority of the method adopted in Massachusetts and Michigan in having the settlements approved by an industrial board, over the system of court approval as in Illinois, is clearly shown through the settlements made in those states. As shown by this and other investigations concerning compensation claims, the court approval of settlements is not satisfactory. The courts in some states, at least, do not seem to realize that it is for the best interests of the workmen and dependents that lump sum settlements should be discouraged, nor are the merits of individual settlements closely scrutinized before approval. That settlements are fairly made in such states reflects credit on the companies themselves and not on the officials who, under the law, are charged with a duty and a responsibility.

CLAIM SETTLEMENTS OTHER THAN COMPENSATION

A thorough investigation was made of the settlement of claims arising under accident, health, burglary, plate glass and other forms of policies where, if liability exists, the benefit is specific. We find that it is the policy of the company to treat claimants fairly and settle claims promptly, and not to avail itself of technical defences, provided a claim is otherwise meritorious. As a result litigation is comparatively infrequent.

AGENCY ORGANIZATION

Most of the business of the company is secured through general and local agents. In addition the company has two branch offices located in Chicago and Boston, the latter for personal accident business only, and a home office department having jurisdiction over New York City and contiguous territory. The company has direct contracts with 475 general and local agents.

An examination of the agency contracts shows that the company had no contract in force on October 1, 1913, calling for a higher commission than $17\frac{1}{2}$ per cent on workmen's compensation or 20 per cent on liability lines, with no allowances of any kind made to the agents. However, it is the intention of the company to amend its contracts with its 72 general agents as of October 1, 1913, increasing the commission on employers' liability to 20 per cent and on other liability lines to 25 per cent.

The ratios of the commissions paid to the cash premiums received during 1913 on the different lines of business are shown as follows:

<i>Line</i>	<i>Average percentage</i>
Accident	29.83
Health	30.23
Liability, workmen's compensation and workmen's collective...	21.34
Plate glass	32.08
Steam boiler and fly wheel.....	23.32
Burglary and theft.....	28.27
Sprinkler leakage	23.72
Auto and teams property damage.....	23.00

CONCLUSION

The experience of this company produces strong proof of existing defects in the present requirements of computing the reserve for liability losses as prescribed in section 86 of the insurance law. As shown by this examination, this company has ample resources and the officials of the company state that sufficient reserves will be set aside, voluntarily, as contingent reserves to provide for its liability losses. But the law itself should provide for an adequate reserve so that a company will be required to maintain, on every class of business, sufficient reserves to take care of future losses.

The records of the company were found to be kept in a most satisfactory manner; and so systematized as to make any information required readily available.

UNITED STATES FIDELITY AND GUARANTY COMPANY

BALTIMORE, MD.

Joint examination by Maryland and New York to ascertain condition December 31, 1912.

Report dated August 1, 1913.

Examiners for Maryland, J. Froggatt, Charles O. Hull and Hazelton A. Joyce, Jr.; for New York, Leon S. Senior.

HISTORY AND ORGANIZATION

This company was incorporated in 1896 by an act of the General Assembly of Maryland, which conferred upon the corporation power to guarantee and secure the payment of debts, the per-

formance of contracts, and the collection of notes and bills of exchange. The original charter has since been amended in the following respects:

In 1900, additional authority was granted to the corporation to indemnify policyholders against loss from theft and burglary.

In 1908, the corporation was authorized, in more specific terms, to insure the fidelity of employees and officials and to become surety upon bonds and undertakings required or permitted by law, or involving the performance of some contractual obligation.

In 1910, the corporation was authorized to make insurance against accident of any nature or description, to make insurance against liability from negligence and torts, and to conduct the business of inspecting boilers, engines and mechanical appliances.

The company is now engaged in the following classes of insurance, named in the order of their importance: Fidelity and surety, employers' and public liability, burglary and theft, accident and health, automobile and teams property damage, plate glass, workmen's collective, steam boiler and fly wheel.

CAPITAL STOCK

At time of incorporation, the authorized capital stock amounted to \$250,000 and the company had legislative authority to increase the same to \$1,000,000. In 1898, the Legislature authorized an increase of the capital stock to \$1,500,000, and in 1902, further authorization was granted to increase the capital stock to \$2,500,000.

Pursuant to the authority thus granted, the company's paid-up capital stock for the various years, from 1896 to 1912 inclusive, was as follows:

December 31, 1896.....	\$261,200
“ “ 1897.....	805,860
“ “ 1898.....	1,000,000
“ “ 1899.....	1,500,000
“ “ 1902.....	1,650,900
“ “ 1903.....	1,700,000
“ “ 1909.....	2,000,000
“ “ 1912.....	2,000,000

The present authorized capital stock of the corporation consists of \$2,500,000, divided into 25,000 shares of the par value of \$100 each. The paid-up capital stock of the corporation amounts to \$2,000,000, consisting of 20,000 shares of the par value of \$100 each. The amount of outstanding stock was verified by the Maryland Department as of December 31, 1909. In the course of this examination, we have verified all stock transactions from that date and until December 31, 1912. We have accounted for all transfers made, and have examined all the cancelled certificates returned to the corporation, with the exception of one certificate (No. 3259) for eight shares. We are advised that the cancelled certificate has been lost or misfiled; that there exists no liability, and that no dividends have been paid on account of said certificate from the date of its cancellation, December 23, 1910. Of the total outstanding capital stock, the directors of the corporation own 4,611 shares.

FINANCIAL STATEMENT DECEMBER 31, 1912

Ledger Assets

Book value of real estate	\$681,392 87
Mortgage loans	3,500 00
Collateral loans	40,249 00
Book value of bonds	4,405,801 98
Book value of stocks	548,147 25
Cash in office	1,988 60
Cash in banks:	
Not on interest	141,036 73
On interest	680,694 59
Premiums in course of collection:	
Policies effective on or after October 1, 1912	785,326 84
Policies effective prior to October 1, 1912..	220,717 71
Bills receivable	1,000 00
Accounts receivable	12,255 83
Due from U. S. government.....	6,276 99
Accounts with suspended banks	70,224 84
Advances secured	48,146 75
Uncollected subscriptions — Department guar- anteed attorneys	57,238 42
Workmen's Compensation Reinsurance & In- spection Bureau	1,425 74
Total.	<u>\$7,685,424 14</u>

Non-Ledger Assets

Interest due and accrued:	
On mortgages.....	\$77 08
On bonds.....	58,296 33
On collateral loans.....	119 04
On bank balances.....	954 54
Rents due and accrued.....	174 67
Market value of real estate over book value....	3,703 93
Salvage recovered during 1913 on fidelity and surety claims paid prior to 1913.....	114,781 02
Renewal premiums on continuous bonds charged in 1913 and effective in 1912.....	51,093 12
	\$229,199 73
Gross Assets.....	
	\$7,914,623 87

Assets Not Admitted

Book value of bonds over market value.....	\$264,652 98
Book value of stocks over market value.....	5,029 25
Suspended banks.....	14,767 22
Uncollected subscriptions — Department guaranteed attorneys.....	8,131 23
Premiums in course of collection on policies effective prior to October 1st.....	220,717 71
	513,298 39
Admitted Assets.....	
	\$7,401,325 48

Liabilities

Losses and claims:	
Accident.....	\$32,605 51
Health.....	5,705 39
Fidelity and surety.....	1,486,640 84
Plate glass.....	3,931 84
Steam boiler.....	796 21
Burglary and theft.....	16,218 10
Auto and teams property damage.....	15,649 49
Workmen's collective.....	6,107 96
	\$1,567,655 34
Special reserve for unpaid liability losses.....	176,462 00
Reserve for unearned premiums.....	2,729,315 29
Commissions to agents and brokers.....	169,473 53
Commissions on renewals of continuous bonds charged in 1913 and effective in 1912.....	11,025 90
Bills and accounts due and accrued.....	27,188 40
Amount due for taxes on premiums.....	89,340 08

Amount due to stockholders.....	\$17,817 39	
Return premiums	12,899 24	
Reinsurance.	27,067 43	
Munich Reserve account	24,091 65	
Collateral deposits in Carnegie Trust Company.	9,614 64	
Reserve for contracts — Depart- ment guaranteed attorneys	\$9,000 00	
Due solicitors—Department guar- anteed contracts	2,205 35	
		11,205 35
Due for expenses in connection with sale of real estate.	3,865 00	
Claim for personal injuries	4,000 00	
Total liabilities, except capital stock.....		\$4,881,021 24
Capital paid in cash	\$2,000,000 00	
Surplus over all liabilities	520,304 24	
Surplus as regards policyholders		2,520,304 24
Total Liabilities		\$7,401,325 48

Reduction of Surplus

The following table shows in detail the net decrease in the surplus as a result of this examination:

DECREASE IN SURPLUS

Bonds and stocks	\$19,970 50	
Premiums in course of collection.....	85,180 72	
Accounts in suspended banks.....	14,767 22	
Subscriptions Department guaranteed attorneys..	1,844 63	
Losses and claims	572,841 25	
Liability loss reserve	71,274 00	
Unearned premiums	7,417 95	
Bills and accounts due and accrued.....	17,188 40	
Due to stockholders	17,817 39	
Return premiums	2,375 43	
Collateral deposits	9,614 64	
Reserve Department guaranteed attorneys.....	11,205 35	
Real estate expenses	3,865 00	
Claims for personal injuries	4,000 00	
		\$839,362 48

INCREASE IN SURPLUS

Real estate	\$3,703 93	
Bills and accounts receivable.....	13,255 83	
Interest.	604 54	
Salvage.	114,781 02	
Renewal premiums	51,093 12	
Commissions.	7,350 94	
Tax on premiums	3,500 33	
		\$194,289 71
Net decrease in surplus		
		\$845,072 77

AGENCY ORGANIZATION

This company has been admitted into and operates in all the States of the Union, Indian Territory, the District of Columbia, Alaska, Dominion of Canada and Hawaii. Its operations are carried on through a system of branch offices and state and district general agents. The business west of the Mississippi river is controlled almost exclusively by the several branch offices located in that territory.

The principal branch offices are located in the following cities:

Atlanta, Boston, Chicago, Denver, Indianapolis, New Orleans, New York city, San Francisco, St. Louis and Toronto, Canada.

In addition to the above there are also eight additional branch offices, about 1,500 general agencies and about 2,500 district agencies. All general and district agents in the territory controlled by branch offices report their business through their respective branch offices. All other general agents report directly to the home office and all district agents report to their general agents. All agency contracts with general agents are made directly with the home office and all district agency contracts are made directly with the general agents.

Each branch office is in charge of one or more managers. The agency contracts for branch offices provide for salary of managers, office rent, salary of employees, salary of traveling field men, and their expenses. In addition to salaries, some branch office managers receive as additional compensation an overriding commission varying from 1 per cent. to 10 per cent. The average overriding commission is 2½ per cent. on net premiums, on each class of busi-

ness, after deducting salaries and office expenses. The annual salaries of branch office managers vary from \$2,250 to \$7,500.

The maximum commission allowed general agents is 25 per cent. on fidelity, surety and burglary business and on liability lines 25 per cent., with the exception of dentists' and physicians' liability, on which it is 35 per cent. It is to be noted, however, that the volume of business of the two last named constitutes only a small fraction of the total liability business. When overriding commissions are allowed to branch office managers, such overriding commissions are in addition to all other compensation. The compensation of district and other agents is fixed by the general agent having supervision of that territory, and the combined commission allowed the general agent and the district agents is limited by the terms of the contract.

Branch office managers and general agents writing surety bonds have authority to execute contract and fidelity bonds for amounts not exceeding \$25,000, and judicial bonds for amounts not exceeding \$10,000 on each bond. Bonds involving indemnities of larger limits are subject to the approval of the home office.

CONCLUSION

Surety Premium Reserves:

We have already indicated our approval of the accounting methods employed by the company in connection with renewal premiums on fidelity and surety bonds. We recommend, however, that greater care be exercised in cancelling reserves on continuous bonds, such cancellations to take effect only upon satisfactory evidence of termination of liability.

Liability Loss Reserves:

This company entered the field of liability insurance primarily for the purpose of protecting itself against the encroachments of liability companies, who are extending their operations so as to include surety business. From the facts and figures submitted in this report, it is evident that the experience of this company indicates a high loss ratio on liability underwriting and that the loss

reserves provided by law will be insufficient to meet the obligations under liability policies issued during the past three years.

Surety Loss Reserves:

The increase in the surety loss reserves, as determined in this examination, indicates the necessity of establishing higher standards in providing estimates for outstanding claims. We recognize the difficulties that attend the valuation of reserves on the basis of specific estimates, and recommend to the officials of the claim department the advisability of creating higher estimates and revising such estimates with greater frequency on the basis of information derived from investigators and local attorneys. We are of opinion that in creating reserves, the officials of the claim department are attaching too much importance to anticipated salvage to be recovered from indemnitors. While prospective salvage is an important factor in determining claim reserves, the consideration of the value thereof should be limited to cases where the company has adequate collateral or indemnitors of unquestioned financial responsibility.

Annual Statements:

The substantial reduction in the surplus, as shown herein, leads your examiners to recommend that the company exercise greater care and conservatism in the preparation of the annual statements to the insurance departments.

UNITED STATES GUARANTEE COMPANY

NEW YORK, N. Y.

Examined to ascertain condition March 31, 1914.

Report dated June 11, 1914.

Examiner: H. O. Van Tuyl.

HISTORY

The United States Guarantee Company was organized in 1890 under the laws of the State of New York, with a capital stock

of \$250,000. The majority of the stock is held by the Guarantee Company of North America, of Montreal, Canada, which company owns 1,491 of the 2,500 shares.

BUSINESS TRANSACTIONS

The company is authorized by its charter to issue fidelity bonds and such surety bonds as are required by law. A large portion of the surety writings consist of New York State excise bonds in the issuing of which the company shares through its being a member of the Excise Reinsurance Association. One-half of this company's share of the excise premiums is reinsured with the Guarantee Company of North America, which company bears half of the losses and expenses. Similarly, 50 per cent. of nearly all risks of \$10,000 or more are reinsured with the Guarantee Company of North America. No reinsurance contract is in force making obligatory the ceding or accepting of these premiums, but the reinsurance is considered binding on the receipt of bordereaux.

FINANCIAL STATEMENT

The assets and liabilities on March 31, 1914, are as follows:

<i>Ledger Assets</i>		
Book value of bonds.....		\$552,704 62
Book value of stocks.....		195,500 00
Cash in office		509 25
Cash in banks on interest.....		76,729 66
Cash in banks not on interest.....		8.075 60
Premiums in course of collection:		
On policies issued on or after January 1, 1914	\$13,501 30	
On policies issued prior to January 1, 1914..	2,419 43	
	\$15,920 73	
Less reinsurance premiums owed.....	780 29	
		15,140 44
Company's equity in funds of Excise Reinsurance Committee	\$54,393 00	
Less portion reinsured with Guarantee Co. of North America	27.196 50	
		27,196 50
Total ledger assets.....		\$875,856 07

Non-Ledger Assets

Interest accrued on bonds.....	\$7,601 87	
Market value of stocks and bonds over book value	16,215 38	
Salvage recovered since April first on losses paid prior	622 91	
		<u>\$24,440 16</u>
Gross assets		\$900,296 23

Deduct Assets Not Admitted

Premiums in course of collection written prior to January 1, 1914	2,419 43	
Admitted assets		<u>\$897,876 80</u>

Liabilities

Unpaid claims, including adjustment expenses:		
Fidelity	\$19,022 62	
Surety	10,238 21	
		<u>\$29,260 83</u>
Unearned premiums:		
New York State excise premiums, \$38,160.32; unearned, 50 per cent.....	\$19,080 16	
One year or less, premiums, \$134,063.62; unearned, pro rata.....	70,654 52	
Over one year, premiums, \$3,410.76; unearned, pro rata.....	2,230 10	
		<u>91,964 78</u>
Commissions		3,102 26
Unpaid bills and salaries accrued.....		3,541 70
Taxes on premiums.....		2,414 44
Federal corporation tax.....		518 36
Advance premiums		2,399 41
		<u>\$133,201 78</u>
Total liabilities		\$133,201 78
Capital paid-up in cash.....	\$250,000 00	
Surplus	514,675 02	
		<u>764,675 02</u>
Surplus as regards policyholders.....		764,675 02
Total		<u>\$897,876 80</u>

Surplus:

The surplus as reported to the Department in the quarterly statement for March 31st was \$493,853.49. Included in the statement of liabilities under "Other reserves and liabilities" was an item of \$17,680, which is stated by the company to be a

"voluntary reserve for contingencies," and as this amount does not represent any known liability on that date, it is really surplus and is so considered in this report.

The surplus as determined by this examination is \$514,675.02, an increase of \$20,821.53 over that reported by the company.

Gain and Loss Exhibit

The following is a condensed gain and loss exhibit, covering underwriting and investments for the three months of 1914:

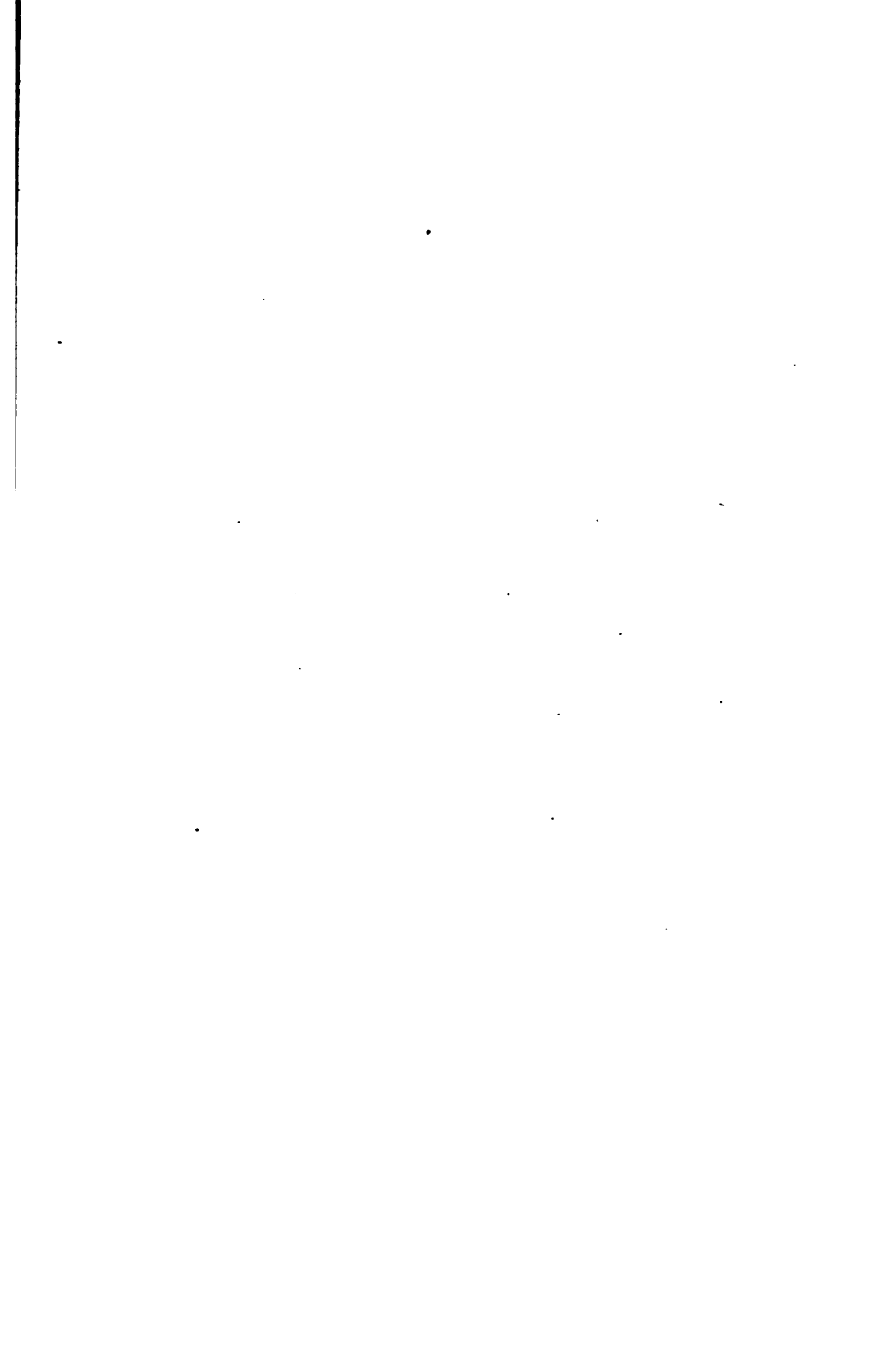
<i>Underwriting</i>		
Income earned		\$48,967 86
Losses incurred	\$11,528 52	
Expenses incurred	29,062 26	
		40,590 78
Gain from underwriting		\$8,377 08
<i>Investments</i>		
Interest earned	\$7,978 67	
Increase in market values	16,390 03	
		\$24,368 70
Expenses incurred		931 93
		23,436 77
Gain from investments		
Total gains		\$31,813 85
Surplus March 31, 1914	\$514,675 02	
Surplus December 31, 1913	482,861 17	
		\$31,813 85

Conclusion

The business of this company is restricted to the issuing of fidelity and surety bonds on high grade risks. Its fidelity writings are mainly on employees of financial and commercial corporations and on post office employees. Bonds covering contracts with governments and municipalities, together with excise bonds, make up nearly the entire surety writings.

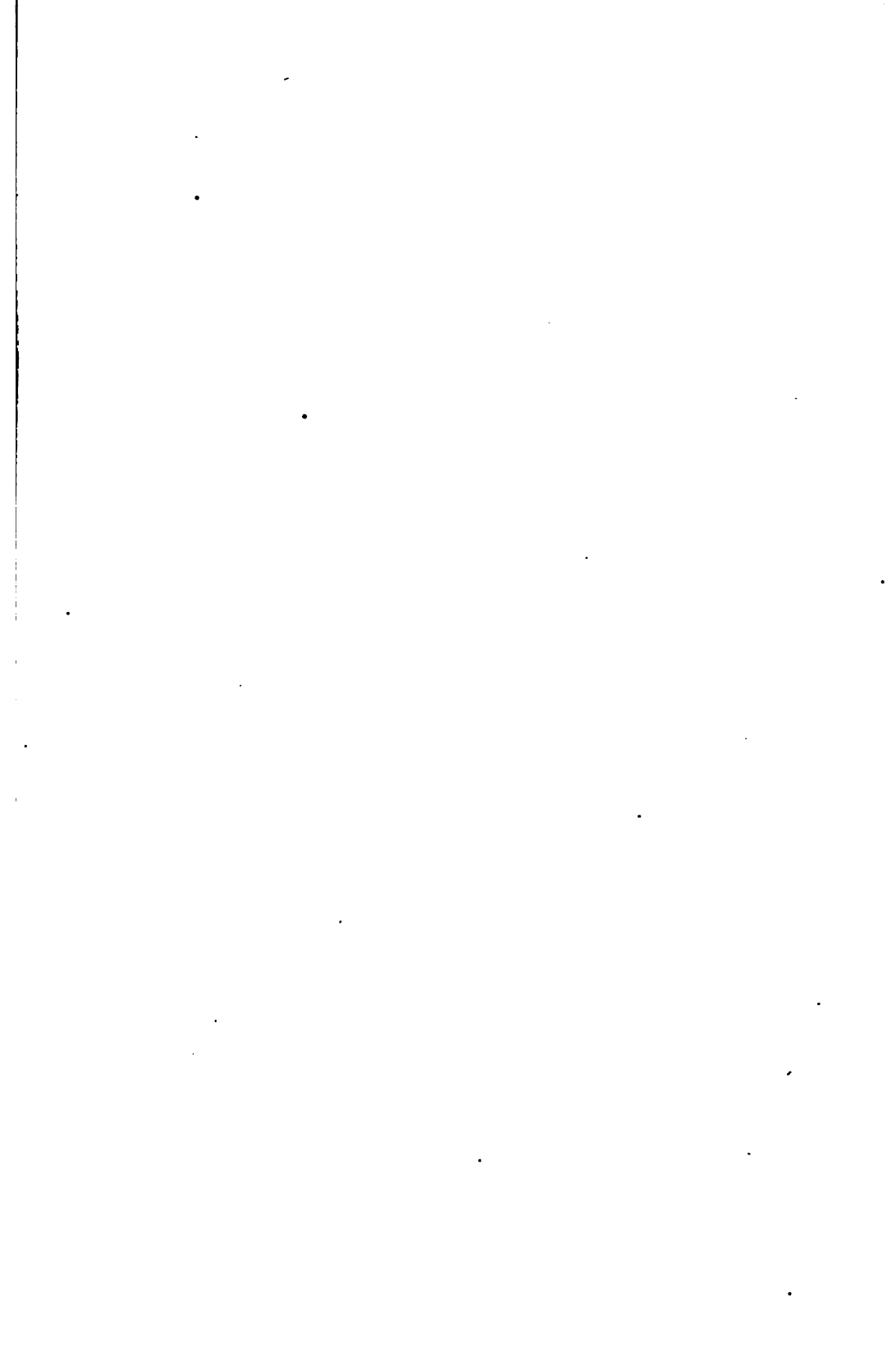
The condition of the company, as shown by this report, is evidence of the conservatism of the management.

The books and records of the company are well kept and all information has been readily obtained.



Workmen's Mutual Compensation Corporations

[799]



WORKMEN'S COMPENSATION CORPORATIONS

The following Mutual Compensation Insurance Companies have been examined on organization under the Workmen's Compensation Law:

- American Mutual Compensation Insurance Company, New York.
- Bakers' Mutual Insurance Company, New York.
- Brewers' Mutual Indemnity Insurance Company, New York.
- Central and Western New York Brewers' and Maltsters' Mutual Insurance Company, Albany.
- Clothing Contractors' Mutual Compensation Insurance Company, Brooklyn.
- Contractors' Mutual Insurance Corporation, New York.
- Employers' Mutual Insurance Company, New York.
- Exchange Mutual Indemnity Insurance Company, Buffalo.
- First Mutual Liability Insurance Company, New York.
- Industrial Mutual Liability Insurance Association, New York.
- Knickerbocker Mutual Liability Insurance Company, New York.
- Lumber Mutual Casualty Insurance Company, New York.
- Metropolitan Mutual Building Trades Insurance Company, New York.
- New York Printers' and Bookbinders' Mutual Insurance Company, New York.
- Utica Mutual Compensation Insurance Company, Utica.
- Utilities Mutual Insurance Company, New York.



Co-operative Life and Accident Associations

[803]

AMERICAN TEMPERANCE LIFE INSURANCE ASSOCIATION

NEW YORK, N. Y.

Examined to ascertain condition December 31, 1912.

Report dated May 27, 1913.

Examiner: John E. Diefendorf.

Statement of Assets and Liabilities

Ledger Assets

Cash in banks.....	\$27,054 86	
Cash in association's office.....	2,019 57	
Mortgage loans on real estate.....	145,950 00	
Total ledger assets		\$175,024 43

Non-Ledger Assets

Interest due and accrued.....	\$2,519 61	
Assessments due and unpaid on last call made within sixty days on insurance in force and for which notices have been issued.....	3,258 00	
Total non-ledger assets.....		5,777 61
Total assets		\$180,802 04

Liabilities

Death claims due, resisted or in process of ad- justment	\$63,050 00	
Sick and accident claims.....	138 32	
Total unpaid claims	\$63,188 32	
Reserve or emergency fund under section 205, New York Insurance Law.....	68,108 87	
Assessments paid in advance.....	1,834 24	
Miscellaneous bills due and accrued.....	1,201 53	
* Total liabilities		134,332 96
Surplus		\$46,469 08
Balance to protect future claims of policyholders, being the reserve or emergency fund and surplus.....		\$114,577 95

* Includes no charge for any liability under so-called completed payment policies, hereinafter more fully explained.

Income and Disbursements

A statement of the income and disbursements for the year ending December 31, 1912, is as follows:

Balance December 31, 1911, as per association's records..... \$209,842 14

Income

Assessments, first year.....	\$7,145 03
Assessments, renewal	187,553 49
Policy fees	53 00

Total income from members.....	\$194,751 52
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Interest on mortgage loans.....	\$7,593 41
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Less accrued interest on mortgage acquired	229 15
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7,364 26

Interest	1,450 65
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Loans repaid by members.....	4,810 00
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Collection of checks	83 59
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Total income	208,460 02
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Total	\$418,302 16
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Disbursements

Death claims	\$154,916 80
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Sick and accident claims.....	576 16
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Policy loans	4,170 00
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Surrendered policies	23,287 79
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Total paid to members	\$182,950 75
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Salaries of officers	13,268 96
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Salaries of office employees	6,045 01
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Salaries of managers and agents.....	5,875 64
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Commissions, first year business.....	5,332 13
---------------------------------------	----------

Commissions, renewals	3,720 71
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Directors' fees	520 00
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Medical examinations	1,975 50
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Collection expenses	5,575 79
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Management and miscellaneous expenses.....	15,128 24
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Agents' balances charged off.....	2,285 00
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Total disbursements	243,277 73
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Balance ledger assets December 31, 1912.....	\$175,024 43
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Annual Statement

I find the annual statement of this association filed in this Department for the year ending December 31, 1912, to be incorrect in the following particulars:

Cash in bank:

The association reported cash in banks amounting to \$28,054.73. Your examiners find, however, the total bank balance at the close of business December 31, 1912, to be the sum of \$27,054.86, or a difference of \$999.87. The reason given for this discrepancy is that the books were not closed on December 31, but were allowed to remain open for the collection of premiums subsequent thereto. We find an item of \$1,224.87 was deposited in bank January 2, 1913, and it was stated that this amount, less an item of \$225, being an interest payment on mortgage loan, would account for the said difference. In other words, the association took credit for \$999.87 as cash in bank on December 31, 1912, which was not deposited until January 2, 1913.

In order to adjust this transaction in the above statement we have deducted the sum of \$999.87 from the item cash in bank, and also from the item representing renewal premium income. Hence, such items will not agree with the association's cash book and ledger to this extent.

We believe that the officers who executed the annual statement deserve criticism by reason of the discrepancy above mentioned and that the practice of holding the books open after December 31 should cease.

Mortuary assessments due and unpaid on last call made within sixty days on insurance in force and for which notices have been issued:

The association has taken credit as a non-ledger asset on account of this item to the amount of \$16,308.20. We are informed that in arriving at this figure no accurate computation was made but that one-twelfth of the total assessments for the year were assumed to be unpaid. An examination of the premium cards and records shows the amount of this item less

commissions to be the sum of \$3,258, and we have accordingly given the association credit for this amount.

Assessments collected by agencies not yet turned over to association:

Credit was taken for this item to the extent of \$4,500. No credit is given in the above statement on this account, however, as we believe full credit is given for same in the preceding item.

Reserve or emergency fund under section 205, New York Insurance Law:

The association charges itself in its annual statement on account of this item to the amount of \$68,108.87. The basis on which it was computed is as follows: One periodical call on each policy was taken, whether on the annual, semi-annual, quarterly, bi-monthly or monthly basis. We checked the figures and found them correct, except on a portion of the monthly business, the difference amounting to \$1,531.16 more than the above amount. However, as the association in its calculation included certain business which we have considered lapsed, as shown elsewhere in this report, we have entered in the above statement the figures shown in the annual statement.

Assessments paid in advance:

The association has charged itself with no liability in the annual statement for this item. We find the same to be \$1,834.24. This consists of assessments paid in advance of due dates only and does not include the unearned portion of assessments paid in if the same were due on the date of this examination.

Unpaid claims:

The association charges itself in the annual statement with total claims unpaid in the sum of \$59,850. Your examiners find that this did not include certain death claims reported but not yet adjusted, amounting to \$3,200, and also sick and accident claims amounting to \$138.32. We have, therefore, added these two items to the item first above shown, so that the total claims unpaid on December 31, 1912, is the sum of \$63,188.32.

Business in force:

In the annual statement the association shows 6,273 certificates in force at the end of the year, carrying insurance in the total sum of \$5,592,900. The president of the association stated that in arriving at the above figures certificates on which no assessments had been paid within three months, being subject to reinstatement, were included in the total number submitted as being in force, with the corresponding amount of insurance. We do not believe he is warranted, as a rule, in counting in force certificates which have been lapsed for a period of three months. We have given this matter thorough investigation and by eliminating all certificates on which the assessments paid would not carry the insurance over December 1, 1912, and including all certificates which had been reinstated between December 31, and on or about April 22, 1913, a basis which we consider most liberal, we find that there were outstanding 5,412 certificates with \$5,003,796 insurance. These figures show a decrease of 861 certificates and \$589,104 insurance from those submitted by the association. We recommend that hereafter the management show this exhibit on a more accurate basis.

The following schedule shows the number of certificates by classes and the amount of insurance in each class, on the above basis, on date of this examination:

	<i>Certificates</i>	<i>Insurance</i>
American Temperance Life (direct)	1,923	\$2,438,354
American Temperance Life (direct paid up)	138	104,556
Knights and Ladies of the Golden Star	965	769,275
Royal Templars	287	278,125
Royal Refuge	1,324	504,000
Mutual Reserve, Good Fellows and Tradesmen	314	226,400
National Benefit and Good Templars	323	578,530
Totals	5,274	\$4,899,240

Premiums returned:

The item in the annual statement under disbursements, to wit, premiums returned, \$23,287.79, comprises payments made for three distinct purposes, viz.: (1) premiums actually returned to members, which is a comparatively small amount; (2) additions

to death claims by virtue of a clause in the certificates issued to members of the Royal Refuge Association, reinsured, and (3) payments representing surrender values to members holding so-called completed payment certificates, hereinafter described.

Interest accrued on Mortgage Loans and Bank Balances

These items have been increased in the above statement by the sum of \$199.51 and \$140.71 respectively.

Organization

This association was organized and commenced business in the year 1889 and is transacting business as an assessment organization under the provisions of article VI of the Insurance Law of this State.

The membership is divided into two sections, viz.: (1) Those who warrant that they are total abstainers from the use of alcoholic liquors or other intoxicating drinks, and (2) those who abstain from the excessive use thereof.

The rates of assessment differ between the two sections, the rates collected from the members of the first section, or total abstainers, being lower than those collected from the second or so-called general section. All rates are graded according to the age of the members, and assessments may be paid monthly, bi-monthly, quarterly, semi-annually or annually.

The rates are not contemplated to be level through the life of the insured, but are subject to increase whenever the financial conditions warrant it.

The control is vested in a board of nine directors, who in turn elect the officers. Both directors and officers are elected for a term of four years.

Readjustment of Rates

In 1912 the association, by reason of a rapid depletion of funds due to increasing mortality and a continual heavy ratio of expense of management, made a readjustment of the rates of all members who were paying less than those admitted subsequent to the year 1901. It seems that in the said year a new table of rates was adopted to apply only to new members, and that in the re-

adjustment made last year the rates of old members were increased to meet the rates on this table at attained age, less five years, except the class of reinsured members known as "Knights and Ladies of the Golden Star," the rates of which are to be adjusted by levying extra assessments to meet the deficiency, and members who were 70 years of age or over, who are to be charged the table rate as of age 65.

This readjustment resulted in a material loss in membership and much dissatisfaction on the part of many members who were of the opinion that their old rates were practically permanent. However, as the association is transacting business under the provisions of the co-operative or assessment law, and the raising of more revenue in order to meet claims accruing was clearly necessary, if the organization were to continue, the management, in my opinion, was warranted in making the change it did.

Expense of Management and Mortality

The regular gross rates above shown in the general section are about equal to those computed on the American experience table of mortality with 4 per cent. interest assumption, and a loading of 15 per centum. They would undoubtedly be ample to carry the contracts to maturity without further increase, with a fair mortality experience, were it not for the fact that the law allows a life assessment association to expend for general expenses a sum not to exceed 35 per cent. of its total premium income, and, under authority of this law, this association's general expenses have been nearly equal to the maximum percentage. In such circumstances, it is obvious that it is only a question of time when the rates will have to be again increased. Moreover, there is every indication that the rate of mortality is considerably higher than that expected on the American experience table of mortality, due to the fact that the association's membership is largely composed of reinsured members of defunct or weak organizations, and also to the probability that many members who were of sound health have dropped their certificates, leaving a selection of risks so adverse that a heavy mortality must naturally be expected.

The following table shows the ratio of expense of management to total premium income for the last five calendar years:

	<i>Total receipts from members</i>	<i>Expense of management</i>	<i>Per cent.</i>
1912	\$195,698 39	\$60,326 98	30.8
1911	211,001 46	67,535 30	32.0
1910	227,894 59	70,367 28	30.8
1909	238,896 05	75,982 98	31.8
1908	249,558 06	85,545 79	34.2

Record of Daily Cash Balances

The record book showing in what form daily balances are held, which was formerly kept by the management, has been discontinued. We recommend that this record be again established, and that deposits in bank be itemized on the association's records, as to currency, checks, money orders, etc.

We further recommend that the drawing of checks to the "order of cash" be discontinued. This practice can serve no good purpose. Whatever cash is needed to meet petty disbursements can be used from the cash revenue received in the office or, if necessary, drawn from the bank by checks drawn to "petty cash."

Appraisals of Real Property Mortgaged to the Association

At the last examination certain mortgage loans on real estate made by the association were, after appraisal of the property, found to be in excess of the maximum amount allowed by law, as set forth in the following schedule:

<i>Mortgage No.</i>	<i>Location</i>	<i>Amount of mortgage</i>	<i>Appraised value</i>	<i>Necessary reduction</i>
14	268 W. 132d street.....	\$8,500 00	\$12,000 00	\$500 00
16	603 Vanderbilt avenue	3,750 00	4,000 00	1.083 00
17	Montclair, N. J.	12,000 00	14,000 00	2.667 00
18	354 Nostrand avenue, Brooklyn.	9,500 00	12,500 00	1.333 00

It is said that the association requested payment in reduction of these loans, in accordance with the Department's recommendations, but loan No. 18 is the only one that has been reduced, and that only by \$300. Moreover, the time for payment of such loans was extended, expiring, however, during the present year. We recommend that they be reduced as required by law.

The real estate mortgage to the association not yet appraised by this Department, will be so appraised in connection with this examination and report thereon submitted later.

Salaries of Officers

By resolution of the board of directors, effective June 1, 1912, the salaries of the officers of this association were reduced as follows:

President from \$6,000 to \$5,000 per annum.

Secretary from \$6,000 to \$4,500 per annum.

Treasurer from \$3,000 to \$2,500 per annum.

Surrender Values Under Completed Payment Policies

On or about January 1, 1897, this association began issuing, in addition to its ordinary life contract, a so-called "completed payment" policy. This policy provides for a limited paying period and, after the policy has been in force five years, for options giving the insured the right to (a) extended insurance, or (b) paid insurance, or (c) the withdrawal of the "advance insurance fund" and the interest accretions thereon. The association was at all times doing business exclusively on the assessment plan and not on the level premium reserve basis, and as the law under which it operates does not contemplate that limited payment contracts shall be issued, it is my opinion that such contracts were wholly misleading and calculated to deceive the public, if not ultra vires. But the officers claim that such contracts were not intended to be absolutely paid-up—this by virtue of a clause inserted in the policy reading as follows:

"Seventh.—This association furnishes insurance on the safety premium plan in accordance with the laws of New York, which provide that every claim must be paid when due, and should a deficiency occur at any time in the mortuary or advance deposit funds such deficiency shall be made good by each member paying his pro rata premium therefor, on due notice from the association."

It seems that the options providing for extended or paid insurance and cash surrender values are given in a table printed in the policy in connection with clause 12, except that in the earlier form such table is attached in the form of a rider.

The said table provides for certain extended and paid insurance, beginning at the end of the fifth year and until the policy becomes "paid up" by its terms, but the cash surrender values are only entered at the end of the 10th, 15th and 20th years.

The exact form of this table, taken from a rider attached to a policy issued, is as follows:

"Policy No. 15832 Issued By

THE AMERICAN TEMPERANCE LIFE INSURANCE ASSOCIATION

Age 46

Amount \$3000.

In case of the legal surrender of said Policy at any anniversary of the date of its issue after its fifth year, subject to its terms and conditions and the laws of the State in which the insured resides, THE AMERICAN TEMPERANCE LIFE INSURANCE ASSOCIATION hereby agrees to allow the Insured the option of either, (a) the extended insurance, or (b) paid insurance, or (c) the withdrawal of the "Advance Insurance Fund," and the interest accretions thereon, indicated in the following table of estimated values:

Years of Insurance	(a) Face value of Policy Extended		(b) Policy commuted to the following paid Insurance	(c) Value of Advance Insurance Fund (Interest assumed)
	Years	Days		
5	5	100	\$750 00	.....
6	5	336	900 00	.....
7	6	296	1,050 00	.....
8	7	147	1,200 00	.....
9	8	33	1,350 00	.....
10	8	221	1,500 00	\$673 17
11	9	72	1,650 00	.....
12	9	268	1,800 00	.....
13	10	34	1,950 00	.....
14	10	253	2,100 00	.....
15	11	135	2,250 00	1,123 02
16	12	11	2,400 00	.....
17	12	316	2,550 00	.....
18	13	286	2,700 00	.....
19	15	16	2,850 00	.....
20	For	Life	3,000 00	1,669 98

GEORGE E. GODWARD, *Secretary.*"

The cash values above entered represent the difference between the premium paid in under this form of contract and the premium that would have been paid had the member taken the ordinary life form, improved by interest and, probably, by an estimated value of what would be paid from gains made by the early lapsation of policies.

I find that this form of contract was issued continuously from

the said date until the year 1907, when it was changed materially at the direction of the Insurance Department of this State. The changes effected at that time were (1) the substance of clause 7, hereinabove quoted, was printed in a more prominent place in the policy and made to read as follows:

"This association furnishes insurance in accordance with the laws of New York, which provide that the claims must be paid when due, and should the mortuary rates prove insufficient for current claims, such deficiency may be paid from the Reserve Fund; should the Reserve Fund on hand become impaired below the amount required under the laws of the State of New York, then such impairment may be provided for by a call upon each member of the association for his pro rata share of such deficiency and which shall be due and payable within thirty days from date of such notice the same as a regular premium."

(2) The substitution of the following clause in lieu of the table of values above given and other clauses in the policy in reference thereto:

"Sixth — It is estimated that upon the payment of all premiums on this policy for years, the accumulations to the credit of the insured with the association will be sufficient to provide for one of the following options, subject, however, to additional assessment calls if excessive mortality losses require the levying of same:

- (a) Insurance in the following amount without further payment
- (b) Estimated cash refund \$."

The last form described has been issued exclusively since the year last above mentioned. It is apparent that it differs widely from the first form issued. The first form constituted, in the opinion of your examiners, a fixed contract by virtue of the following language:

"In case of the legal surrender of said policy at any anniversary of the date of its issue after its fifth year * * * * The American Temperance Life Insurance Association hereby agrees to allow the insured * * * * the withdrawal of the 'advance insurance fund,' and the interest accretions thereon indicated in the following table of estimated values."

The fact that the word "estimated" is used in this connection does not, in my opinion, release the association from liability to return to members holding such policies the value of the "advance insurance fund." This fund clearly is the difference between the amount paid in by holders of such policies over the amount they

would have paid in had they taken the ordinary life form, improved by interest, at least, and probably by the gain from certain lapsations.

We have made an estimate of the association's liability for surrender values on such contracts issued prior to the change made in 1907 on the following basis: All policies on this form having run ten years or more, but less than fifteen, we have taken the value given in the table at the tenth year; all policies having run fifteen years or more (there is none having run twenty years) we have taken the value at the fifteenth year. We find the aggregate value of such items to be the sum of \$79,528.87.

It was stated by the officers that this matter had never been considered as a distinct liability, and that no separate accounting in relation thereto had ever been made by the management. The item has been eliminated as a charge in the statement of liabilities of this report, with the understanding that the management will, within one year, provide a fund to be thereafter maintained and considered as a distinct liability to be set forth in future statements and reports for the protection of this class of contracts.

The number of certificates on the completed payment forms of all kinds outstanding, with the amount of insurance, is as follows:

	<i>Certificates</i>	<i>Insurance</i>
20 payments	427	\$934,250 00
15 payments	13	16,000 00
10 payments	17	21,500 00
Totals	457	\$971,750 00

Settlement of Claims

A careful examination was made of the settlement of claims. Certain adjustments were found to have been made which we believe were not fair to the beneficiaries and members interested, taking into consideration the lack of evidence on file to sustain the reasons given why such claims were not paid in full, and, also, in view of the fact that the organization is a mutual one and its contracts are, first of all, pledges of equity and good faith one with another. However, the president agreed to reimburse those persons whose claim settlements were criticized, to the extent indicated by the examiners.

MUTUAL BENEFIT ASSOCIATION OF SUFFOLK
COUNTY

RIVERHEAD, N. Y.

*Examined to ascertain condition May 31, 1913.**Report dated July 22, 1913.**Examiner: W. W. Streeter.**Ledger Assets*

Mortgage loans on real estate.....	\$20,175 00	
Deposits in banks and trust companies.....	8,165 69	
Total ledger assets.....		\$28,340 69

Non-Ledger Assets

Interest due and accrued on mortgage loans.....		254 86
Total assets		\$28,595 55

Liabilities

Death claims reported but not yet adjusted....	\$3,000 00	
Salaries and bills due and accrued.....	41 08	
Reserve or emergency fund under section 205, New York Insurance Law.....	4,765 20	
Total liabilities		7,806 28
Surplus		\$20,789 27

The receipts and disbursements of the association for the five months from January 1, 1913, to May 31, 1913, were as follows:

Balance ledger assets December 31, 1912.....	\$26,915 21
--	-------------

Income

Admission fees and assessments.....	\$14,334 50	
Interest on mortgage loans.....	569 35	
Total income		14,908 85
Total		\$41,824 06

Disbursements

Death claims	\$13,000 00	
Management expenses	483 37	
Total disbursements		13,483 37
Balance (ledger assets May 31, 1913).....		\$28,340 69

Annual Statement

The accounts of the association for the year 1912 were carefully examined and, with the following exceptions, the annual statement for the year as submitted by its officers was found to accurately represent the operations of the association and its condition at the end of the year.

Included among the assets on May 31st, was found a pass-book for an account in the Suffolk County Trust Company opened in the name of the association August 21, 1912, with a deposit of \$500. There were no subsequent deposits or withdrawals, but an interest credit was made February 21, 1913, in accordance with an agreement written on the flyleaf of the pass-book, to the effect that the account would be credited semi-annually from its date with interest at the rate of 4 per cent. per annum.

This item was not included in the assets of the association in its annual statement for the year 1912, nor do the books of the association give any indication as to the derivation of the amount of the initial deposit. The secretary and treasurer were both absent during my examination and none of the other officers could give me any information on the subject.

In reply to a subsequent inquiry the treasurer writes that this money does not belong to the association but to the heirs of one Jugelt, and that it is held pending the adjustment of the inheritance tax on some property on which the association took a mortgage on August 21, 1912, No. 262.

From this explanation and the fact that the association has received the interest due on the full amount of the mortgage in question from its date to May 1, 1913, it would appear that provided the mortgage loan is satisfactorily secured, the association has no right in the original deposit or its interest accretions. The fact, however, remains that nowhere in the accounts, records or papers of the association could your examiner find any memorandum of this part of the transaction.

It has been the custom of the association to report as cash in bank on December 31, the accrued interest due January first on its several savings bank deposits and of including a like amount in its income for the year. This accrued interest on December

31, 1912, amounted to \$110.66. Because of errors in computing accrued interest on mortgage loans the amount so reported as of December 31, 1912, was overstated \$51.15.

Death claims incurred but not paid on December 31, 1912, were found to be \$2,000 instead of \$1,000 as reported by the association. At the end of the previous year \$5,000 should have been so reported instead of \$1,000. The officers appear to consider that a claim is not incurred until proofs of death are submitted.

The reserve or emergency fund set up as a liability in accordance with section 205 of the Insurance Law, should have been \$4,824.60 instead of \$2,000. The by-laws of the association specify \$1.10 as the amount of one assessment per member, but for years past three assessments have been included in one call. The last assessment call of 1912 produced the amount above given.

Assets

All cash is deposited practically as soon as received. There was accordingly no cash in office either on December 31, 1912, or May 31, 1913. All of the association's deposits in savings banks are credited with 2 per cent. interest semi-annually.

The mortgage loans of the association are all on property located in Suffolk county; mortgages amounting to \$6,450 bear interest at 5 per cent.; \$1,175 at 5½ and \$12,550 at 6 per cent. All such loans made since January 1, 1912, bear 6 per cent. interest. From the report of a committee appointed for the purpose, which report is spread upon the minutes of the board of directors, it appears that the amount of the loan seldom exceeds 50 per cent. of the valuation of the property.

Accounts and Records

While in many respects the accounts and records are accurately kept, the system of bookkeeping is not adequate. A columnar cash book, good as far as it goes, is kept but it does not show receipts from assessment calls until the end of the year, neither are savings bank interest credits entered therein. Receipts from assessments are recorded under the date received in an ordinary

blank book, by simply entering the name of the member for whom payment is made. All receipts are deposited in full without great delay, daily if the amount warrants. As separate deposits are made of receipts from the various sources, or even from the various assessment calls, the bank pass-book is the nearest approach to a complete record of current receipts possessed by the association. The secretary's entire monthly receipts are, by the close of each month, transferred by check to the treasurer, who keeps the funds under his care in a separate bank and disburses them only on warrants drawn by the secretary and signed by the president at the direction of the board of directors.

Nearly all investment transactions are entered in the columnar cash book but, in at least one instance, where money was withdrawn from a savings bank to loan on mortgage, no record of the transaction was found on any of the books of the association.

In the absence of a properly kept ledger the only method of arriving at the amount of the assets is by physical valuation. The individual mortgage record is far from ideal. It is kept on the unused pages of a dilapidated blank book, originally used for another purpose. The records of the several mortgages are not in sequence, the description is inadequate and while the amount and date of interest payments are recorded, there is nothing to show the due date of any given interest payment.

The papers filed with the mortgages were not sufficient in all cases to satisfy your examiner that the mortgage loans were properly secured as to title, etc. In a few cases the evidence of claim of title did not seem complete, in others there was no insurance policy in force. In these latter cases, however, it is possible that the value of the land alone was sufficient security. In two cases, No. 31, in the name of Peter Lang, and No. 35, in the name of Frank Romansky, the insurance policies were respectively in the names of John Bagshaw, the secretary of the association, and Mary Bagshaw, his wife. These are adjoining properties located in Riverhead, and I am reliably informed that the title to both now rests in the said John Bagshaw.

As for evidences of proper title to property covered by mortgage loans, it appears that the same difficulty was experienced on the occasion of the last examination, in May, 1909, and that

Counsel Frederick G. Dunham of the Insurance Department made an examination in June of that year covering this phase. His criticisms and recommendations were acted upon by the board of directors and the report of the secretary concerning this action seems to have received the approval of Mr. Dunham. The more recent loans made do not seem to be subject to as much criticism in this regard as the earlier ones. However, I would recommend that the association take this matter up with its counsel immediately, to the end that every mortgage loan will be supported by an abstract of title or a policy of title insurance, and if there be any defects the same be removed as soon as possible. This would seem to be the most economical procedure.

Income and Disbursement

The sources from which the association derives income are admission fees, assessments, reinstatements and interest on assets. Death claim payments have constituted 96 per cent. of the disbursements during the last seventeen months. (January 1, 1912 to May 31, 1913.) To carry the investigation further, taking the annual reports of the association as a basis, I find that during the last five years and five months, January 1, 1908 to May 31, 1913, the receipts and disbursements of the association have been as follows:

<i>Income</i>	
Admission fees	\$2,613 00
Reinstatements	48 90
Assessments	168,623 40
Total from members	\$171,285 30
Interest (net)	6,806 55
Miscellaneous	111 20
Total receipts	<u>\$178,003 05</u>
<i>Disbursements</i>	
Death claims	\$167,000 00
Expenses of management	11,497 62
Total disbursements	<u>\$178,497 62</u>

From the above it may be derived that during this period the management has returned to the members 97.4 per cent. of the

amount received from them; that the cost of management has been less than 6½ per cent. of the total receipts, and that the assets of the association have been diminished by but \$494.57 during that time.

Salaries of officers aggregate \$930 per annum and are as follows:

Secretary	John Bagshaw	\$720 00
Treasurer	George M. Vail.....	200 00
Counsel	Joseph M. Belford.....	10 00

The first two are bonded without cost to the association as follows: John Bagshaw, secretary, United States Fidelity and Guarantee Company, for \$2,000; George M. Vail, treasurer; personal bond with William H. Sweezy and Dwight T. Corwin, both of Riverhead, as sureties to the amount of \$4,000. These bonds are held by the president.

The fees for medical examination are paid by the applicants. The total amount paid by the association for medical supervision since January 1, 1912, at 50 cents a new member, is \$6.50.

The association pays to those of its members proposing new members, \$5 for each one accepted. In recent years this has been the only direct expense incurred in getting new members, except that from March, 1909, to June, 1910, for a period of 68 weeks, a field representative, Major W. M. Coombs, was employed at a salary of \$25 a week and expenses. This resulted in an expenditure of \$1,700 for salary and \$977.09 for expenses and the accession of 300 members, 85 of whom had lapsed by December 31, 1910, and many more since.

The association does not pay office rent, the secretary giving the use of his office without any additional charge. Ten dollars a year is paid for the use of a larger room for the monthly meetings of the board of directors.

Postage disbursements during the past seventeen months have been confined to the amount actually expended for the postal cards on which assessment notices are sent. Petty expenses seem to have been borne by the secretary personally.

From all of which it may be inferred that the association is economically administered.

Plan of Operation

Men, between the ages of 21 and 50, acceptable as to health and morals and occupation are eligible to membership. All certificates are for \$1,000 payable at death. Upon admission each member pays a fee based upon his age, in accordance with the following table:

<i>Age</i>	<i>Fee</i>	<i>Age</i>	<i>Fee</i>
21-25	\$4 00	42-44	\$14 00
25-30	5 00	44-46	19 00
30-35	6 00	46	25 00
35-38	7 00	47	32 00
38-40	8 00	48	40 00
40-42	11 00	49	50 00
		50	65 00

All members are afterward assessed alike regardless of age.

The by-laws of the association stipulate that upon the death of a member, each surviving member shall be assessed \$1.10 unless there are sufficient moneys in the treasury derived from previous assessments to pay the claim, in which case the assessment may be omitted. In accordance with this provision, it has been the custom of the association for several years past to combine three assessments in one call whenever five death losses had been incurred. Reinstatement fees are \$1 in addition to all assessments in arrears. If the amount of arrearage exceeds the admission fee, a member would find it to his advantage to take out a new certificate.

Claims

The record of the association for the settlement of claims is remarkably good. In my examination covering a year and a half, there is nothing to suggest that a contest was contemplated in a single instance. More than half of the claims presented were paid within forty-five days of date of death, and where more than ninety days elapsed it was almost invariably due to delay in the appointment of an administrator or guardian, or to a contest between claimants. In these latter cases, it is the endeavor of the association to pay the amount into court as soon as possible.

History and Membership

The association was organized July 6, 1876, as a fraternal society and as such operated during the early years of its existence.

Some time later the fraternal feature was abandoned and the association commenced and has continued to transact business under article VI of the Insurance Law. In the progress of the examination I could learn nothing concerning the incorporation of the association, but further investigation would indicate that the association was incorporated under chapter 267, Laws of 1875, and first reported in the year 1884. There seems to have been few other changes either in its method of conducting business or in the personnel of its management. The present treasurer is the son of the first treasurer, whom he immediately succeeded. During the whole thirty-seven years of its existence there does not appear to have been more than three different secretaries, and a list of the board of directors of twenty years ago contains the names of several persons even now actively concerned in its management.

There does not appear to have been any classification of the membership according to attained age since 1909, at which time it was determined that the average age of the membership (basis of last birthday) was slightly less than 53 years. Cards have been prepared for the purpose of classification according to attained age (nearest birthday). A preliminary calculation shows that the average age of the membership is now slightly in excess of 56 years, an increase, allowing for the differences in bases, of $2\frac{1}{2}$ years in a period of 4 years. During this same period the assets of the association have increased only about \$600, and the membership has slightly decreased. It is evident that the increasing liability, on account of death claims, due to the advancing age of the membership, is not now being provided for and that the management is facing the necessity of either increased or more frequent assessments. Even with the present membership, the full amount of the three in one assessment is not sufficient to pay five death claims.

NEW YORK PHYSICIANS' MUTUAL AID ASSOCIATION

NEW YORK, N. Y.

*Examined to ascertain condition January 31, 1914.**Report dated February 28, 1914.**Examiners: Clarence J. Norton and J. F. Tucker.*

<i>Ledger Assets</i>	
Mortgage loans	\$67,500 00
Cash in bank	11,522 21
Cash in office	107 42
Total ledger assets	\$79,129 63
<i>Non-Ledger Assets</i>	
Assessments called but not thirty days overdue (estimated)	\$2,626 00
Interest accrued on mortgages	636 22
Interest due and accrued on mortgage in process of foreclosure	524 45
Interest accrued on bank deposits	22 68
Total non-ledger assets	3,809 35
Gross assets	\$82,938 98
<i>Liabilities</i>	
Death claims	\$6,000 00
Reserve or emergency fund under section 205, New York Insurance Law	4,762 00
Advance assessments (estimated)	2,399 00
Total liabilities	13,161 00
Balance	\$69,777 98

A statement of the income and disbursements for the thirteen months ending January 31, 1914, is as follows:

<i>Income</i>	
Assessments	\$43,653 70
Initiation and certificate fees	1,047 00
Interest from all sources	4,015 57
Total income	\$48,716 27
Ledger assets December 31, 1912	83,960 34
Total	\$132,676 61

Disbursements

Death claims	\$48,000 00
Loans to members	100 00
Medical examination fees	2,240 00
Collection fees	379 92
Salaries	1,325 00
Rent, printing, stationery and miscellaneous..	1,274 95
Total disbursements	\$53,319 87
Balance	\$79,356 74
Deficiency	227 11
Ledger assets January 31, 1914.....	\$79,129 63

Funds

The association maintains three funds, the assessment or mortuary fund, the contingent or expense fund and the permanent or reserve fund.

Mortuary Fund

Ninety per cent. of all assessments are credited to this fund and from it all death claims are paid. A statement of the income and disbursements for this fund for the thirteen months ending January 31, 1914, is as follows:

Balance January 1, 1913.....	\$3,340 67
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Income

Assessments	39,288 33
Total	\$42,629 00

Disbursements

Death claims	48,000 00
Deficit January 31, 1914.....	\$5,371 00

Contingent Fund

The contingent fund receives 10 per cent. of all assessments and the initiation and certificate fees. From it are paid all expenses of management. A statement of the income and disbursements for this fund for the thirteen months ending January 31, 1914, is as follows:

Balance January 1, 1913.....	\$598 50
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Income

Assessments	\$4,365 37	
Initiation and certificate fees	1,047 00	
Total income		\$5,412 37
Total		\$6,010 87

Disbursements

Examination and collection fees	\$2,619 92	
Salaries	1,325 00	
Printing and stationery	992 76	
Miscellaneous	282 19	
Total disbursements		5,219 87
Balance January 31, 1914		\$791 00

Permanent Fund

This constitutes the order's reserve fund. It may also be used, under certain conditions, for benevolent purposes. For example the payment of funeral expenses of deceased members and certain aid to their widows and children may be paid therefrom. The by-laws also provide that certain loans to needy members may be made, as hereinafter more fully explained. All interest received is credited to this fund; any death claims not called for within six months are turned over to it. Donations from members complete its income. A statement of the income and disbursements for this fund for the thirteen months ending January 31, 1914, is as follows:

Balance January 1, 1913	\$80,021 17
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Income

Interest	4,015 57	
Total		\$84,036 74

Disbursements

Loans to members	100 00	
Balance January 31, 1914		\$83,936 74

Recapitulation of Fund Balances January 31, 1914

Contingent	\$791 00	
Permanent	83,936 74	
Total		\$84,727 74
Mortuary (deficit)		5,371 00
Balance January 31, 1914.....		\$79,356 74

Assets

With the exception of one mortgage now in process of foreclosure, all the usual papers connected with mortgage loans were found in order. The properties securing these mortgages were appraised for this Department in 1909.

The cash in banks was verified by certificates obtained from the banking institutions in which it is deposited, the certificates being reconciled with the association's records.

Assessments

The association follows the post mortem plan in assessing its members. The amount of each call is \$2, covering the death of two members. The amount of each certificate being \$1,000 and the number of members over 2,000 it follows that the amount collected upon each call is in excess of the amount required for the payment of two death claims. Whenever this excess has become sufficient for the payment of two additional death claims a call is sent out in the form of a receipted bill and the two claims paid from the excess. Thus the actual proceeds from assessments are only sufficient for the payment of current death claims, no surplus being accumulated. All members pay the same amount, regardless of age.

The unpaid death claims amount to \$6,000 and the mortuary fund, from which all death claims are paid, is overdrawn to the extent of \$5,371, therefore the assessments collected up to the present time have been inadequate for the payment of death claims incurred to the extent of \$11,371. This is due to the fact that the management does not wish to make more than a stated number of assessments in any one year, fearing the effect on the membership. As the average age of the members is constantly increasing we see no grounds for the supposition that the death

rate will decrease. It would seem, therefore, that the assessments called should be sufficient to take care of the death claims as they occur. Otherwise the association will ultimately find its condition to be such that a large increase in the number of assessments will be imperative. It would appear reasonable to assume that a slight increase in the number of assessments at the present time would not have the bad effect upon the members that a necessarily large increase will have in the future.

Loans to Members

The following quotations from the by-laws explain the conditions under which the association may loan money to its members.

Article II, Sec. 2. "Pecuniary aid may be furnished to members, in case of urgent need, out of the interest of the permanent fund."

Article VII, Sec. 6. "The Board of Trustees shall refer to the Committee on Benevolence any cases of sickness or destitution among the members, and, if such are entitled to the benefactions of the Association, make the necessary appropriations."

Article VII, Sec. 7. "Whenever such a case of sickness shall terminate in recovery, the amount of said appropriation, without interest, shall stand as a lien against the members' claim on the Association. In case of death the sum advanced by the Association shall be restored to the permanent fund, and the balance due paid to the heirs of the deceased members."

Article XVIII, Sec. 2. "If any sick member shall have received benefactions from the Association and shall, after recovery, refuse to pay the required assessments, he shall thereby forfeit his membership, and his name shall be stricken from the roll by the trustees."

The plan followed by the association, however, appears to vary from this rule. The application for a loan having been favorably reported, the member assigns his certificate to the association as security, granting the association full power "to charge any sums so advanced or to be advanced to him against the said policy, and to pay any sum or sums which may be lawfully assessed as premiums on said policy, provided the same remains unpaid by the assured."

If, after recovery, the member fails to pay his assessments, his policy is not permitted to lapse, but the assessments are charged against it, keeping it in force. At the death of the member the face of the policy, less all liens, is paid to the beneficiary, the liens being returned to the permanent fund.

The amount of such liens, as shown by the association's records, is at present \$2,047.

Membership

The membership of this association is limited to regular practicing physicians in the State of New York. Applicants must be under forty-five years of age and must pass a satisfactory medical examination. The membership and insurance in force for the last five years is shown in the following table:

	Number of members	Insurance in force
December 31, 1909.....	1,957	\$1,957,000
December 31, 1910.....	2,074	2,075,000
December 31, 1911.....	2,108	2,108,000
December 31, 1912.....	2,227	2,227,000
December 31, 1913.....	2,375	2,375,000

Officers

The association holds its annual meeting on the third Tuesday in January, at which time the officers and three directors are elected.

The present officers are as follows:

President	W. F. Mittendorf
Recording secretary.....	A. Edward Davis
Corresponding secretary	W. B. Jennings
Treasurer	Daniel Lewis

Directors

Heinrich Stearn	Samuel Lloyd	W. H. Katzenbach
C. E. Bruce	E. H. Squibb	N. J. Boldt
D. P. Austin	Robert T. Morris	W. B. Hoag

The directors and officers constitute the board of trustees.

The officers receive no salary. The amount appearing under salaries in this report is a payment to the treasurer, which covers the use of his office and the services of his assistant who keeps the association's records. The treasurer is under bond to the amount of \$1,000.

Bookkeeping and Records

While the books and records of the association are perhaps sufficient for its needs, some improvement in the manner of keeping them should be made.

There are no original documents in the way of remittance advices with which to check the income entered upon the cash book. The accuracy of the income figures appearing in this report cannot therefore be vouched for. Nearly all the disbursements are made by check, and as the cancelled checks and, with a few unimportant exceptions, the receipted vouchers are on file, a satisfactory check of the disbursements was made.

Instead of being deposited, cash remittances are usually retained in the office for the payment of current expenses. As no permanent record of this cash is made and as the books have not been balanced from month to month the only method of determining the amount of cash which should be on hand at any time is to bring the income and disbursements down to date and deduct from the balance thus shown the amount of cash in banks, the remainder being the cash in office. So far as we are informed this balance was not struck, during the year 1913, until December 31st. To this fact is due the condition mentioned in the following paragraph.

Deficit

When the books were balanced on December 31st credit was taken for cash in banks amounting to \$227.11 more than the actual bank deposits. Owing to the above mentioned method of determining the amount of cash in office, such cash was consequently computed to be less than it should have been by the same amount. If the books had been balanced at frequent intervals and if the cash belonging to the association had been kept intact, this discrepancy would have been discovered immediately on account of the cash on hand being over. What became of this cash we are unable to say.

Immediately upon having the discrepancy called to his attention, the treasurer gave his personal check for the amount thereof.

Recommendations

We recommend that the books be balanced and reconciled with the cash assets at least once a month and that the amount of cash and bank balances be entered upon the cash book at the end of each month in order that a permanent record shall be made, which shall be available for reference at any future time.

We further recommend that death claims be entered upon the register immediately upon receipt of notice of death. Under the present practice of making these entries at the time of payment, omissions are liable to occur.

NEW YORK SAFETY RESERVE FUND

SYRACUSE, N. Y.

Examined to ascertain condition March 31, 1913.

Report dated July 14, 1913.

Examiner: Clarence J. Norton.

Ledger Assets

Mortgage loans on real estate.....	\$32,050 00	
Book value of bonds.....	30,755 00	
Cash in banks.....	4,212 02	
Cash items in office.....	2,243 54	
Bills receivable	500 00	
Advances to agents.....	95 00	
Total ledger assets.....		\$69,855 56

Non-Ledger Assets

Interest due and accrued.....	\$1,633 75	
Assessments in course of collection on last call made	1,610 97	
Total non-ledger assets.....		3,244 72
Total assets		\$73,100 28

Deduct Assets Not Admitted

Book value of bonds over market value.....	\$7,865 00	
Interest due on bonds in default.....	400 00	
Deposit in banks in process of liquidation....	165 95	
Bills receivable	500 00	
Advances to agents.....	95 00	
Worthless check carried as cash in office.....	25 00	
Total assets not admitted.....		9,050 95
Total admitted assets.....		\$64,049 33

Liabilities

Death claims	\$1,705 87
Disability claims	2,104 76
Reserve or emergency fund under section 205..	7,364 98
Miscellaneous bills due and accrued.....	762 56
Advance assessments (estimated).....	1,000 00
Total liabilities	\$12,938 17
Balance March 31, 1913.....	\$51,111 16

The following statement shows the income and disbursements for the year ending December 31, 1912:

Balance ledger assets December 31, 1911, as per association's records \$218,867 97

Income

Assessments	\$144,722 17
Interest	10,976 92
Profit on sale of bonds.....	260 00
Loans repaid by members on Combination and Golden League policies.....	14,885 44
Total income	170,844 53
Total	\$389,712 50

Disbursements

Death claims	\$15,710 40
Disability claims	33,031 43
Dividends	169,888 09
Total paid to members.....	\$218,629 92
Commissions	27,141 63
Salaries of managers and agents.....	12,358 40
Salaries of officers and trustees.....	6,595 00
Other compensation, officers and trustees.....	3,575 00
Salaries of office employees.....	8,380 29
Salary and fees, medical examiner.....	1,361 86
Traveling expenses of officers and trustees....	540 71
Traveling expenses of managers and agents....	6,426 46
Legal expenses	320 53
Management and miscellaneous.....	13,001 02
Total disbursements	298,330 82
Balance ledger assets December 31, 1912.....	\$91,381 68

The following statement shows the income and disbursements for the three months ending March 31, 1913:

Balance ledger assets December 31, 1912, as per association's records \$91,381 68

Income

Assessments	\$25,829 15	
Loans repaid by members, Combination and Golden League policies.....	1,149 50	
Interest	708 30	
Refunded fees on real estate appraisal.....	15 00	
Total income		27,701 95
Total		\$119,083 63

Disbursements

Death claims	\$4,625 57	
Disability claims	8,882 12	
Dividends	16,862 87	
Total paid to members.....	\$30,370 56	
Salaries of officers.....	1,636 80	
Other compensation of officers.....	110 00	
Salaries of managers and agents.....	2,390 00	
Commissions	6,202 86	
Salaries of office employees.....	2,015 93	
Management and miscellaneous.....	6,302 60	
Loss on sale of bonds.....	199 30	
Total disbursements		49,228 07
Balance March 31, 1913.....		<u><u>\$69,855 56</u></u>

Organization and History

This association was originally incorporated in 1882 as the New York Mutual Reserve Fund, and on January 24, 1883, its title was changed to the New York Safety Reserve Fund. The home office was located in New York City from the time of incorporation to October, 1900, when it was removed to Painted Post, New York. In April, 1906, the home office was removed to Syracuse, N. Y., at which place it is now located.

Assets

The association now has sixteen mortgage loans on real estate located mostly in Syracuse, N. Y., amounting in the aggregate to

\$32,050, ranging in amounts from \$1,500 to \$2,500 each. They bear interest at the rate of 5 per cent. per annum.

The cash in banks was verified in the usual manner, by certificates from the banks reconciled with the association's records. The cash in office, amounting to \$2,243.54, as shown by the records, could not be verified, of course, as of March 31, by reason of the fact that the actual examination did not take place until a much later date.

The bonds were counted, examined and appraised at their market value. The difference between the book and market values, viz. \$7,865, has been deducted as an asset not admitted.

Attached to this report is a schedule giving a description of all bonds owned on date of this examination.

The item credited in the statement of nonledger assets, "assessments in course of collection on last call made, \$1,610.97," represents the net amount of the March assessment received subsequent thereto.

Southern Tier Masonic Relief Association

On September 8, 1908, the New York Safety Reserve Fund reinsured the membership of the above named association, located in Elmira, N. Y. The business taken over amounted to 1343 certificates carrying insurance in the sum of \$956,100. On date of this examination this business had all terminated, the last member having died January 13, 1913.

Dividends

The calculation of dividends on policies maturing in 1913, as made by the association, was examined. The result shows that the dividends fixed by the management are substantially correct. An error was discovered in the calculation of the dividends on the combination policies, which resulted in reducing the amounts slightly. It appears that in charging the fund for disbursements made the association included the first premium on policies, which is allowed the agent as a part of his commission. Such premiums are not received in the office nor entered on the records. If they were included as a disbursement they should have been also included as a premium income in the calculation. On the other hand I find that no deduction was made for losses on investments. I

believe the two items will about offset each other, and that, as above stated, the amounts computed by the association represent practically the proper returns to members.

The following table shows the dividends paid on the four classes of policies for the years 1911, 1912 and 1913:

<i>Monthly premium</i>	1911	1912	1913
Class "A," \$1.....	\$38 79	\$28 22	\$33 42
Class "B," \$2.....	77 58	56 44	66 84
Class "C," \$3.....	116 37	84 66	100 26
Class "D," \$4.....	155 16	112 88	133 68

It will be noted that the dividends for 1913 are considerably higher than those paid in 1912.

Golden League Policies

The association in 1908 reinsured the business of the Order of the Golden League of Galeton, Pa., which society was incorporated in May, 1906. These policies are similar to those on the combination plan and are participating at the end of five year periods.

The number of policies reinsured was 620, of which only 22 are still in force. These will mature during 1913.

The dividend computations on such policies maturing in 1912 and 1913 were examined and found to be approximately correct.

The following table shows the dividends paid on these policies for the three years indicated therein:

<i>Monthly premium</i>	1911	1912	1913
Class "A," \$1.....	\$32 30	\$32 09	\$34 58
Class "B," \$2.....	64 61	64 18	69 16
Class "C," \$4.....	129 22	128 36	138 32

The following exhibit shows the amount of dividends paid on maturing certificates in each class in the two groups since the same began to mature.

Combination Plan

<i>Year of maturity</i>	<i>No. of certificates on \$1 basis</i>	<i>Amount paid</i>
1911	878	\$34,065 58
1912	5,766	162,728 46
1913 (prior to April 1)	712	23,795 04
Totals	7,356	\$290,589 08

Golden League Certificates

1911	157	\$5,071 87
1912	333	10,682 64
1913 (prior to April 1)	15	518 70
Totals	505	\$16,273 21

Whole Life Policies

Between the years 1906 and 1909 this association issued four whole life policies carrying \$6,000 of insurance. At the present time there is only one policy on this plan in force and this provides \$2,000 insurance. The premium on this policy is \$65.52 annually.

Donation by Executive Committee

In pursuance of a resolution passed by the board of trustees on May 4, 1911, \$5,000 was contributed to the funds of the association by the following directors, each paying \$1,000: W. K. Wickes, E. R. Deming, F. A. Richardson, Dr. J. M. Keese and G. H. Bryan. It was stated that these donations were in no way liabilities of the association and that the same would not be returned to the said persons in any way.

Following is a statement of the income and disbursements of the various funds of the association from January 1, 1909, to March 31, 1913, inclusive, except the whole life fund, which is from January 1, 1913, to March 31, 1913, inclusive.

Combination or Dividend Fund

Balance January 1, 1909	\$48,443 31
-------------------------------	-------------

Income

Assessments	\$531,864 78
Interest	23,221 45
Loans repaid by members	17,519 44
Net gain on sale of bonds	168 56
Total income	572,774 23
Total	\$621,217 54

Disbursements

Death claims	\$44,513 62	
Disability claims	89,619 65	
Dividends	208,061 78	
Expense of management.....	186,079 27	
Total disbursements	\$528,274 32	
Balance March 31, 1913.....	\$92,943 22	

Golden League Fund

Balance January 1, 1909.....		\$548 13
Income to March 31, 1913, inclusive.		
Assessments	\$27,114 25	
Loans repaid by members.....	1,295 00	
Interest	1,217 38	
Total income	29,626 63	
Total	\$30,174 76	
Disbursements to March 31, 1913, inclusive.		
Death claims	\$2,876 01	
Disability claims	5,129 50	
Dividends	15,694 51	
Expense of management.....	4,067 14	
Total disbursements	27,767 16	
Balance March 31, 1913.....	\$2,407 60	

Whole Life Fund

Balance January 1, 1913.....		\$191 93
Income to March 31, 1913, inclusive.		
Assessments		309 52
Total		\$501 45

Disbursements

Expense of management.....	108 33	
Balance March 31, 1913.....	\$393 12	

Old Painted Post Fund

Balance January 1, 1909.....		\$867 92
Income to March 31, 1913, inclusive.		
Assessments	\$655 35	
Interest	30 43	
Total income		685 78
Total		\$1,553 70
Disbursements to March 31, 1913, inclusive.		
Expense of management.....		229 37
Balance March 31, 1913.....		\$1,324 33

Southern Tier Fund

Balance January 1, 1909.....		\$2,543 33
Income to March 31, 1913, inclusive.		
Assessments	\$10,768 33	
Interest	456 52	
Total income		11,224 85
Total		\$13,768 18
Disbursements to March 31, 1913, inclusive.		
Death claims	\$19,058 36	
Expense of management.....	3,768 92	
Total disbursements		22,327 28
Deficit March 31, 1913.....		\$9,059 10

Casualty Fund

Income to March 31, 1913, inclusive.		
Assessments	\$126,191 13	
Donation by trustees (1911).....	5,000 00	
Interest	5,508 63	
Net gain on sale of bonds.....	42 14	
Total income		\$136,741 90
Disbursements to March 31, 1913, inclusive.		
Death claims	\$6,788 95	
Disability claims	47,468 04	
Expense of management.....	100,638 52	
Total disbursements		154,895 51
Deficit March 31, 1913.....		\$18,153 61

RECAPITULATION OF BALANCE OF FUNDS MARCH 31, 1913.

Combination (Dividend) Fund	\$92,943 22	
Golden League Fund	2,407 60	
Whole Life Fund	393 12	
Old Painted Post Fund	1,324 33	
Southern Tier Fund, deficit.....	\$9,059 10	
Casualty Fund, deficit.....	18,153 61	
Totals	\$27,212 71	\$97,068 27
Deduct total deficit.....		27,212 71
Net balance March 31, 1913.....		\$69,855 56

Expense of Management

The following is a schedule showing the premium income, expense of management and the ratio between the two items for periods indicated:

Year	Premium income	Expenses of management	Ratio
1910	\$175,513 50	\$62,629 32	35.6%
1911	191,854 21	78,918 30	41 %
1912	144,722 17	79,700 90	55 %
1913 (3 months)	25,829 15	18,643 21	72 %

Figures do not include the first monthly premium (of policy fee) which the association does not receive, it being retained by the agent as commission, and does not appear on the books of the association as either an income or disbursement. If said figures were included it would materially increase the ratio of expense of management.

Casualty Business

The association has been writing casualty insurance since September 1, 1909, under different forms of policies, and since it has discontinued writing the combination or dividend policies, it is now writing exclusively casualty lines. While the records indicate that the association has issued a large number of policies on casualty plans since it commenced writing such business, a study of the financial condition of the casualty fund evidences the fact that this business has not been a profitable one and the expense in connection therewith has been enormously large. The latter fund on date of this examination shows a deficit of over \$18,000, which indicates that the other funds are being used to promote and carry on this line of business.

On date of this examination the association had in force policies on casualty lines as follows:

1341 casualty policies, representing \$553,500 insurance; 3779 Banner and Peerless policies, representing \$556,850 insurance; 7 Progressive policies, representing \$700 insurance.

Total Business Written and in Force on Various Dates

The following schedule shows the amount of business written in the past five years, with the number of policies terminated by lapsation, and the business in force on December 31 of each year and also on March 31, 1913:

Year	Policies written	Insurance written	Policies in force Dec. 31	Insurance in force Dec. 31	Policies terminated by lapse
1908	6,032	.....	8,934	\$2,860,680	2,569
1909	4,096	.....	8,617	2,068,975	4,325
1910	7,185	.....	10,044	2,476,200	5,681
1911	10,087	\$2,196,000	11,637	.....	8,402
1912	10,663	2,033,950	7,051	.....	15,147
March 31, 1913					
1913 (3 mos.)	1,951	412,700	6,973	1,501,572 50	.....

The policies in force on March 31, 1913, are classified as follows:

Number	Class	Amount of Insurance
6	Painted Post	\$5,000 00
1	Whole Life	2,000 00
1817	Combination or Dividend	368,000 00
22	Golden League	5,522 50
1341	Casualty	553,500 00
3779	Banner and Peerless.....	566,850 00
7	Progressive	700 00
Totals 6973		\$1,501,572 50

These figures include a number of policies on which premiums have not been paid for previous month or two, the same not yet having been considered as lapsed.

Methods of Operation and Agency Force

The association operates in the States of New York and Pennsylvania only. It has branch offices in New York city and Buffalo

in charge of managers. The Pittsburgh, Pa. branch office has been discontinued.

The branch office managers employ agents, issue policies, make collections and adjust claims. Only the casualty premiums are collected, however, the premiums on the old combination policies being forwarded by the agents direct to the home office.

The association employs about 50 general agents who receive regular commissions and also hold profit sharing contracts. Sub-agents, numbering approximately 200, are employed by the general agents. The association does not deal with the sub-agents, but holds the general agents accountable for the proper conduct of business in their respective jurisdictions. A great many of the agents omit in their reports to give any date showing when the insured paid his premiums, while others mark them all as having paid on the first of each month, which is doubtless not the exact date in some cases. For this reason the branch and home offices do not have this essential and very important information on their records, with the result that when a claim is presented, it devolves on the management to ascertain from the agent's record and from the insured's receipt book the actual date of payment in order to determine whether the insured is in benefit or not. This method should be changed and corrected at once, so that the company's records will show the exact condition of each policy and the actual dates on which premiums have been paid.

Examination of Claims

During this examination the claim settlements made at both the home office at Syracuse and the New York branch office were examined. All the death claims, the rejected disability claims and a large number of the paid ones filed during the year 1912 were carefully examined. The disability claims on the combination or dividend policies are in reality in the nature of a loan to be repaid when the policy matures. The general attitude of the association in relation to such claims seems to be in a spirit of fairness and equity.

Many of the casualty claim settlements would indicate that the association is generally looking for some excuse to reject the

claim. A large percentage of adjustments are advance settlements, and this is a somewhat difficult matter to handle. On the one hand it would seem that such settlements were effected rather by the claimant's necessities at the time, rather than on any basis of actual rights or strict justice. On the other hand these two facts present themselves — first, the association is, after all, not the agent or legal adviser of the claimant; secondly, that a less sum, when greatly needed, is often more desirable than a larger sum when the need is not so pressing.

This whole problem might perhaps be solved by a partial payment in advance where liability is admitted, the same to be deducted from the amount of final settlement, but, of course, this would not be so advantageous from the standpoint of the association's assets.

The usual form of advance settlement blank, which releases the association from further liability, is given as follows:

"Dated at, 191..

"THIS AGREEMENT WITNESSETH, That the undersigned claimant now having a claim against the New York Safety Reserve Fund of Syracuse, N. Y., by virtue of policy number held by him on account of (injury) (sickness) had during the life of said policy, and said claimant having this day been paid the sum of dollars in full payment of said claim under said policy on account of said (injury) (sickness) the said claimant (undersigned) in consideration of said sum, the receipt of which is hereby acknowledged, does hereby release and discharge said company from any and all claim or claims against said company, which he now has or which he might have hereafter against said company on account of said (injury) (sickness). The full purport of this release being that all future demands on account of said (injury) (sickness) either by myself, my estate, my heirs, assigns, or beneficiary, are released as well as those accrued.

Signed Claimant.

Witnessed by"

It was found that many of the policyholders are in the habit of paying their premiums to the agent much later than the first of each month (the due date) and when disability (illness) occurs they find they are out of benefit and dissatisfaction arises. As an illustration I will cite the following case, in which no benefit was paid: Policy No. 6230, issued May 13, 1911. Insured died April 28, 1912.

<i>Monthly premiums.</i>	<i>Date when paid.</i>
June	June 24, 1911
July	Aug. 1, 1911
August	Aug. 30, 1911
September	Sept. 30, 1911
October	Oct. 28, 1911
November	Nov. 22, 1911
December	Jan. 16, 1912
January	March 18, 1912
February	March 27, 1912
March	April 1, 1912
April	April 27, 1912

According to the contentions of the association this policy was never in force for disability from illness, and yet it received and accepted the premiums from month to month and credited the same on previous month when such month had practically expired. It is very apparent that the insured was not informed as to the actual condition of her policy, as it does not seem reasonable to presume that she would continue paying each month's premium in this way and still understand that she was getting no protection for it or realize that she was in reality at no time in benefit for illness or natural death.

The following case is similar, although policy has not been in force quite as long:

Claim No. 964. Peerless Policy No. 101,974. Issued January 25, 1912. Death benefit \$150. No benefit paid. Association claims policy lapsed, and assured not in immediate benefit, except for accident.

<i>Monthly premiums.</i>	<i>Date when paid.</i>
February	(Pol. fee)
March	March 3, 1912
April	April 20, 1912
May	May 18, 1912
June	June 22, 1912
July	July 12, 1912

Assured taken sick July 18, 1912, and death occurred July 25, 1912. Letter from attorney for beneficiary dated December 11, 1912, states: "I am authorized to start an action against you for collection of the claim." The association states that no action was started or any further correspondence had in the matter.

The question has arisen as to the liability of the association to pay both an illness and death indemnity on the same claim. Two cases were noted during this investigation in which the facts are as follows:

(1) Claim No. 947. Banner Policy No. 9294, issued Dec. 21, 1911, Benefit \$6 weekly; Death \$100. Date of disability June 7, 1912, Date of death July 20, 1912.

The association paid 5 weeks' sick benefit or \$30 and the beneficiary's attorney claimed in addition the \$100 death benefit. This demand was refused by the company and the matter was finally settled out of court by association paying the balance of death claim, \$70, thereby eliminating the claim for disability.

(2) Claim No. 1583. Peerless Policy No. 104,317, issued Aug. 12, 1912, Benefit \$10 weekly; Death \$100. Date of disability December 24, 1912, Date of death February 9, 1913.

Final disability proofs were filed January 20 and check sent January 28, 1913, for \$30 covering three weeks' disability. The following formal release was obtained which is entered with a rubber stamp on the back of the check and considered signed when the payee endorsed the check thereunder: "This check is given and when endorsed by the payee shall be considered as a full compromise settlement and release and payment of any and all claims made or to be made, by the payee, or by any other person against said company, under Policy No. 104,317 on account of disability resulting from illness December 24, 1912, or any continuance thereof, or any effects of said illness."

The beneficiary claimed the death benefit, but payment was refused by the association, it claiming that the assured continued to be ill and was attended by the same physician up to the time of his death; that inasmuch as the settlement was made at his request for the disability or any continuance thereof or any effects of said illness, the association had discharged its full obligation. The above is based on the signing of the release.

The physician's blank, filled out at the time of filing disability proofs, shows that the assured at that time was "in bed yet" and the physician was "still treating him."

In my opinion the association's construction of its contract, in not allowing the death indemnity in the event that a disability claim has been paid for the illness during which the assured died, is wholly unwarranted. The language used in the contract does not appear to afford such an interpretation. I quote the same as follows:

"(b). In case of the death of said member resulting from natural causes while this policy is in force, the company will, within sixty days after receipt of satisfactory proof thereof, pay to the above named beneficiary the sum of *One Hundred Dollars*.

(g). In case of sickness or accident which shall render such member totally incapable of following his or her occupation, the company will pay to said member a weekly indemnity of *Six Dollars*."

If a member has sustained, say 4 weeks' illness and received a benefit of \$24, there is every reason to interpret the contract as providing \$100 additional benefit in case of death, regardless of when the member dies, provided the policy is in force. For this reason I think the last two cited cases, and all similar ones, were wrongfully settled.

Annual Statement

During the course of this examination the association's annual statement for the year 1912 was examined and found to be correct, except as follows:

(1) The association took credit for assessments in course of collection to the extent of \$10,584.85. This includes cash actually collected by agencies and assessments due and unpaid. Both items were estimated by the management and are apparently much too large. I have allowed in this report as a corresponding item, as of March 31, 1913, the sum of \$1,610.97.

(2) The liability statement for death claims as of December 31, 1912, does not contain a claim reported under one of the policies issued by the Southern Tier Masonic Relief Association, reinsured, in suit. This claim was settled in 1913 for \$2,500. The president informed me that it was omitted unintentionally, as it was carried in previous statements but paid prior to the filing of the one in question.

Officers

The following is a list of the officers of the association, and the annual compensation of each:

E. R. Deming, President, Syracuse, N. Y.....	\$2, 600 00
O. E. Wethey, Vice-President, Port Byron, N. Y.....	.....
G. H. Bryan, Secretary, Syracuse, N. Y.....	2, 600 00
F. A. Richardson, Treasurer, Syracuse, N. Y.....	600 00
Dr. J. M. Keese, Medical Examiner, Syracuse, N. Y.....	900 00

Recommendations

In view of this examination and the foregoing report thereon, I hereby respectfully make the following recommendations:

(1) That a claim register be installed immediately at the home office, to contain a complete history of each claim received until final settlement, and that the system of filing claim papers be revised, particularly where there are more than one claim against the same policy.

(2) That the miscellaneous correspondence be filed in a more satisfactory manner and a better system adopted, so that communications and replies thereto are filed in juxtaposition and kept in alphabetical arrangement.

(3) That the use of other funds to promote and carry on the casualty business be stopped immediately. Unless this is done the dividend class of members will suffer unjustly. The dividend fund is in the nature of a trust fund and should not be used for other purposes.

(4) That agents be specially instructed to enter on their monthly reports the actual date of premium payments, and when members pay premiums late they be notified of the exact status of their contracts.

(5) That a resolution be adopted to the effect that access to the securities of the association be had only by two officers at the same time. This recommendation is made on general principles, and in no way reflects discredit upon any officer.

Examined to ascertain condition December 31, 1913.

Report dated February 21, 1914.

Examiners: J. Frank Tucker and Clarence J. Norton.

The financial condition of the association as of December 31, 1913, was found to have been as follows:

Ledger Assets

Book value of bonds.....	\$27,755 00
Mortgage loans	5,650 00
Cash in banks.....	6,212 35
Cash in home office.....	603 07
Cash items in branch office.....	636 57
Agents' balances, notes and charge slips in offices	1,221 67

Total ledger assets.....	\$42,078 66
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Non-Ledger Assets

Interest due and accrued:

On bonds	\$1,062 50
On mortgages	100 20
On bank balances.....	10 60
Assessments in course of collection in hands of collectors and agents.....	2,199 72
Assessments levied, not more than 30 days overdue	2,063 95

Total non-ledger assets.....	5,436 97
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Gross assets	\$47,515 63
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Assets Not Admitted

Book value of bonds over market value.....	\$11,255 00
Deposits in trust companies in process of liquidation	322 94
Agents' balances, notes and charge slips in offices	1,221 67
Due and accrued interest on bonds in default..	933 33

Total assets not admitted.....	13,732 94
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Total admitted assets.....	\$33,782 69
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Liabilities

Death and disability claims.....	\$3,308 39
Accrued bills and accounts.....	129 35
Accrued commissions	511 64
Dividends due in 1913, less loans thereon....	5,044 48
Assessments paid in advance.....	919 20
Reserve or emergency fund under section 205, insurance law	2,335 52

Total liabilities	12,248 58
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Surplus	\$21,534 11
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Balance to protect future claims of certificate holders, being the reserve or emergency fund and surplus.....	\$23,869 63
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The following is a statement of income and disbursements for the nine months ending December 31, 1913:

Balance ledger assets March 31, 1913.....	\$69,855 56
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Income

Premiums	\$67,014 61	
Disability loans repaid.....	3,722 00	
Interest	2,941 50	
Total income		73,678 11
Total		\$143,533 67

Disbursements

Death claims	\$3,729 61	
Disability claims	16,639 31	
Dividends	33,911 48	
Disability loans	3,123 65	
Commissions to agents.....	16,663 28	
Salaries of officers.....	3,638 20	
Expense of management.....	23,749 48	
Total disbursements		101,455 01
Balance ledger assets December 31, 1913.....		\$42,078 66

Organization and History

This association was originally incorporated in 1882 as the "New York Mutual Reserve Fund," and on January 24, 1883, its title was changed to "New York Safety Reserve Fund." The home office was located in New York City from the time of incorporation to October, 1900, when it was removed to Painted Post, N. Y.

In April, 1906, the headquarters were removed to Syracuse, N. Y., at which place they are now located.

Classification of Business

The association is at present carrying two general classes of business, viz.: The Combination (dividend) Class, which is rapidly disappearing, as hereinafter shown, and the Casualty Class which includes the "Banner" and "Peerless" policies, providing mostly for health and accident benefits, constituting the principal

business written at the present time. A weekly premium or Industrial policy is also issued, but the results, so far, have been negligible.

Combination class: The principal business of this association after it removed to Syracuse, N. Y., until December 31, 1910, was the issuing of certificates in the combination class upon the so-called 5 year Dividend Endowment Plan.

Such certificates were issued in six different groups or classes, as indicated in the following table, showing the monthly premiums, death and disability benefits in each:

<i>Class</i>	<i>Premiums per month</i>	<i>Death benefit</i>	<i>Disability loan per week</i>
A	\$1 00	\$125 00	\$5 00
B	2 00	250 00	10 00
C	3 00	375 00	15 00
D	4 00	500 00	20 00
E	5 00	625 00	25 00
F	8 00	1,000 00	40 00

The certificate contract issued on this plan, using the class A rate and corresponding benefits, provides as follows:

"In consideration of the application for this policy and the payment of the premium of one dollar on or before the first day of each and every month hereafter is a member of this company, and entitled to all the rights, benefits and privileges of membership therein.

"In case of the death of said member while this policy is in force it shall terminate, and the company will within sixty days after receipt of proof thereof pay to the sum of one hundred and twenty-five dollars.

"If, by accident, said member lose both eyes or one eye and one limb or two limbs, full death benefit will be paid; for such loss of one eye or one limb one-half of the death benefit will be paid, such payment to be made within ten days after receipt of satisfactory proof of such accident.

"In case of sickness or accident which will render such member totally incapable of following his or her occupation, the company will pay to such member five dollars per week in accordance with the by-laws, rules and regulations printed upon the back hereof.

"At the end of every fifth year from the date hereof, this policy being in full force, the holder thereof will be entitled to participate in the surplus accumulations and funds of the company, in accordance with the provisions of the by-laws, rules and regulations printed upon the back hereof."

The by-laws relating to the said participation in the surplus accumulations and funds of the association read as follows:

"Section 17. Separate ledger accounts will be kept of all dividend paying policies issued by the company, in each of which accounts shall be embraced

all of such policies issued in any single calendar year. Each of such accounts shall be credited with the net amount of all premiums paid on all policies in said class. Each class shall be credited with its proportion of the average interest earnings of the entire assets of the company. Each class shall be charged with its proportion of the average expenses of the company and with all losses paid to the policyholders in said class; the balance remaining to the credit of such class, shall be divided among the policyholders in that class, in accordance with the terms or provisions of their contracts."

It is apparent, therefore, that persons were induced to take out certificates on this plan, not so much on account of the insurance benefits, but to obtain the benefit of a cash distribution at the end of five years, this feature being advertised extensively and enlarged upon by the agents of the society in selling the certificates.

The following provision of the by-laws is printed, among others, upon the back of each certificate:

"All sums advanced for sickness or accident, with annual interest thereon, are to be deducted from the payments due under the terms of this policy."

These disability benefits are therefore loans, which, together with six per cent. interest thereon, are deducted from the dividends payable at the end of the five year period. Should such loans exceed the amount of the dividend, the excess is charged off as a loss and does not enter into the dividend computation. Loans on certificates which lapse before the end of the period are charged against the group to which the members receiving such loans belong, and the dividends payable to the remaining members of the group are consequently reduced.

On December 31, 1910, this association, together with other organizations doing a similar business, and in pursuance of an agreement made with the then Superintendent of Insurance, ceased writing this kind of business. In the year 1911 a law was enacted prohibiting associations of this kind from thereafter making any promise or agreement with their policy or certificate holders or members for the payment of money at the expiration of a fixed period, unless on account of death or disability.

The first dividends on this plan in this association matured in the year 1911, and each year subsequent thereto dividends have matured and have been paid by the association, the method of computation having been approved by the Insurance Department.

The last certificates on this plan will mature in the year 1915, excepting a comparatively small number which have been renewed and will, therefore, mature later.

The following table shows the dividends paid for the years 1911, 1912 and 1913 in four classes upon this plan. The dividends in the classes paying higher rates are at the same ratio.

<i>Monthly premium</i>	1911	1912	1913
Class "A," \$1.....	\$38 79	\$28 22	\$33 42
Class "B," \$2.....	77 58	56 44	66 84
Class "C," \$3.....	116 37	84 66	100 26
Class "D," \$4.....	155 16	112 88	133 68

The amounts paid, while they have been rather disappointing to the members, by reason of their high expectations, represent a fair return, taking into consideration the losses incurred and the expense of management, the latter deduction amounting to the full 35 per cent. of the premium income, the maximum rate allowed by law on this kind of business.

The dividends on the above scale would probably still be generally satisfactory if continued, but we find that they cannot be continued at or near the rate heretofore paid, without grave injustice being done to the members whose certificates will mature in the last years, viz., 1915 and later, by reason of the fact that the association has used funds belonging to this class of members to promote the other kinds of business which it has written since it ceased writing the kind under discussion, also in meeting the losses sustained in reinsuring the Southern Tier Masonic Relief Association.

At the last examination of the association made by this Department, to wit, March 31, 1913, it was found that funds belonging to the dividend class had been used to promote the business and to pay the claims of other classes to the extent of \$27,212.71. This matter was brought sharply to the attention of the management in the report on examination and the following recommendation was made therein:

"That the use of other funds to promote and carry on the casualty business be stopped immediately. Unless this is done the dividend class of members will suffer unjustly. The dividend fund is in the nature of a trust fund and should not be used for other purposes."

The dividends for the 1913 maturities had been computed and were being paid without regard to the fact that the above mentioned sum had been spent for losses and expenses incurred in other lines, but we understand that in correspondence with the Department after the report was submitted, the management agreed to thereafter hold intact the remaining assets belonging in equity to the members of the dividend class. We find, however, upon this examination, that instead of ceasing the use of the dividend funds aforesaid, the management has continued to use said funds to some extent, and that the total amount of the deficit created in the dividend fund as of December 31, 1913, was the sum of \$28,391.77, an increase of \$1,179.07 during the preceding nine months period.

This condition is shown more particularly in the following statements of income and disbursements of each class of business since the last examination, using the credit or debit balances in each fund as of March 31, 1913.

Combination (Dividend)

Balance March 31, 1913.....	\$92,943 22
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Income

Premiums	\$18,771 77	
Disability loans repaid.....	3,399 50	
Interest from all sources.....	2,941 50	
Total income		25,112 77
Total		\$118,055 99

Disbursements

Death claims	\$1,818 01	
Dividends	31,525 46	
Disability loans	3,123 65	
Commissions to agents.....	2,081 97	
Salaries and expenses of managers and agents..	4,286 61	
Proportion of general expense.....	4,596 11	
Loss on sale of bonds.....	153 75	
Total disbursements		47,585 56
Balance December 31, 1915.....		\$70,470 43

** Golden League*

Balance March 31, 1913.....		\$2,407 60
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Income

Premiums	\$227 00	
Disability loans repaid.....	322 50	
Total income		549 50
Total		\$2,957 10

Disbursements

Death claims	\$279 10	
Dividends	2,386 02	
Proportion of general expense.....	55 38	
Total disbursements		2,720 50

Balance December 31, 1913.....		\$236 60
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Casualty (Including Banner and Peerless)

Deficit March 31, 1913.....		\$18,153 61
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Income

Premiums	\$47,638 33	
Total income		47,638 33
Balance		\$29,484 72

Disbursements

Death claims	\$1,632 50	
Disability claims	16,621 31	
Commissions to agents.....	14,502 70	
Salaries of office employees.....	1,650 15	
Salaries and expenses of managers and agents.	4,955 46	
Proportion of general expense.....	11,578 22	

Total disbursements		50,940 34
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Deficit December 31, 1913.....		\$21,455 62
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Weekly

Balance March 31, 1913.....		0
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* The order of the Golden League was reinsured by the New York Safety Reserve Fund in 1906. The certificates are similar to the combination or dividend plan, but have all matured, leaving a credit balance on date of this examination, as above shown.

<i>Income</i>		
Premiums	\$239 75	
Total income		\$239 75
Total		\$239 75

<i>Disbursements</i>		
Disability claims	\$18 00	
Commissions to agents	78 61	
Expenses of managers and agents	55 00	
Proportion of general expense	57 00	
Total disbursements		208 61
Balance December 31, 1913		\$31 14

Whole Life

Balance March 31, 1913	\$393 12
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<i>Income</i>		
Assessments	39 30	
Balance December 31, 1913	\$432 42	

<i>Painted Post</i>		
Balance March 31, 1913	\$1,324 33	

<i>Income</i>		
Assessments	98 46	
Balance December 31, 1913	\$1,422 79	

<i>Recapitulation of Balances December 31, 1913</i>		
Combination	\$70,470 43	
Golden League	236 60	
Weekly	31 14	
Whole life	432 42	
Painted Post	1,422 79	
Total		\$72,593 38
Casualty (deficit)	\$21,455 62	
* Southern tier (deficit)	9,059 10	
Total cash of other funds used by Casualty and Southern Tier Departments		30,514 72
Balance, ledger assets, December 31, 1913		\$42,078 66

* This class has been closed out, leaving the balance as shown in last report.

The income and disbursements in the foregoing statements have been divided by your examiners among the different classes of business in the following manner: All premiums, claims and commissions have been thrown into the classes to which they belong; the overhead charges and general expenses which could not be specifically allocated to the different classes have been divided among them on the basis of the premium income, as follows:

<i>Class</i>	<i>Premium income</i>	<i>Percentage</i>
Combination	\$18,909 53	28.22
Golden League	227 00	.34
Casualty	47,638 33	71.09
Weekly	239 75	.35
	<u>\$67,014 61</u>	<u>100.00</u>

The general expenses chargeable to the different classes were therefore as follows:

<i>Class</i>	<i>Percentage</i>	<i>General expense</i>
Combination	28.22	\$4,596 11
Golden League	.34	55 38
Casualty	71.09	11,578 22
Weekly	.35	57 00
Total general expense.....		<u>\$16,286 71</u>

Actual Condition of Dividend Fund

It should be noted that while the combination or dividend fund had a credit balance of \$70,470.43 on December 31, 1913, the total ledger assets amounted only to \$42,078.66. From this amount should be deducted assets not admitted and liabilities accrued, not yet charged to the various accounts, leaving a balance of admitted assets over known liabilities of \$23,869.63, not including for this purpose the reserve or emergency fund as a liability.

It is true that the assets not admitted will mostly be properly chargeable to the combination fund, and also approximately \$6,000 of the actual liabilities, but the fact remains that a comparatively large proportion of the combination fund has been di-

verted and used for other purposes than for which it was collected, and unless the dividends payable in 1914 are computed with this condition taken into consideration, by deducting from each member's share of the surplus the proportionate part of the deficit created, the members who mature their certificates later will be virtually robbed.

We find that there were in force 1,185 certificates on the combination plan on December 31, 1913, of which 579 mature in 1914. If the dividend is paid on the latter as computed by the management, which is about 22 per cent. less than was paid in 1913, we find that the amount of over \$17,000 will be paid out after deducting disability loans of about \$6,000. Hence there would be but about \$6,000 left to distribute as dividends on 806 certificates maturing subsequent to 1914, provided no more of such funds are used in other lines, nor the ratio of losses and expenses increased. By reason of the proximity of the maturity of the certificates, few members will allow the same to lapse. The premiums yet to be paid in will probably all be used to pay death claims and management expenses. The latter item alone amounted to over 67 per cent. of the total premium income for the year 1913, as will be more particularly shown in the following paragraphs.

Expenses of Management

Although the report of the last examination of the association showed that the expenses of management were excessive, no effort to reduce the same seems to have been made until November 1, 1913. On said date all salaries of officers, excepting the secretary, were discontinued. The latter, who devotes his entire time to the society, was allowed \$25 per week. This arrangement continued until the end of 1913. However, we are informed by the secretary that, at a meeting of the board of directors held on or about January 22, 1914, the following salaries were voted to be continued indefinitely:

E. R. Deming, President.....	\$25 per week
G. H. Bryan, Secretary.....	25 per week
F. A. Richardson, Treasurer.....	25 per month
Dr. J. M. Keese, Medical Examiner.....	25 per month
T. F. Connell, Agency Supervisor.....	25 per week

The following schedule shows the ratio of expenses of management to premium income for the last four years:

<i>Year</i>	<i>Premium income</i>	<i>Expenses of management</i>	<i>Ratio per cent.</i>
1910.....	\$175,513 50	\$62,629 32	35.6
1911.....	191,854 21	78,918 30	41.
1912.....	144,722 17	79,700 90	55.
1913.....	92,843 76	62,540 42	67.36

In this connection we respectfully call your attention to the provisions of section 207 of the Insurance Law, which reads in part as follows:

" * * * Whenever it shall appear to the superintendent of insurance on investigation or examination that the actual expenses of management of any corporation, association or society to which this article is applicable, * * * for the year preceding the year in which such investigation or examination is made, were more than thirty-five per centum of the cash income actually received by it from premiums, assessments and membership fees, * * * if it be a domestic corporation, association or society, it shall be the duty of the superintendent of insurance to cause to be served on the president or other officer of such corporation, association or society, a notice in writing to immediately cease the transaction of new business, and in the event of their failure to do so, he shall report the facts of such investigation and examination and his proceedings thereunder, which shall be prima facie evidence of the facts therein stated, to the attorney-general, who if he approves of the same upon investigation by him after notice to such corporation, association or society, is hereby authorized thereon to institute in the same manner, and to prosecute any and all like proceedings as are now authorized or permitted against an insolvent corporation * * *."

Assets

Bonds: Attached to this report as exhibit A is a schedule of bonds owned December 31, 1913, showing the book, par and market values. It should be noted that the total book value exceeds the total market value in the sum of \$11,255.

Mortgages: The Association owns mortgage liens on three parcels of real estate, two of which are located in the city of Syracuse and amount to \$1,650 and \$2,000 respectively. The other is a lien against the Irem Masonic Temple of Wilkesbarre, Pa., amounting to \$2,000, and is in the form of real estate bonds. The Syracuse lien of \$1,650 is now in process of foreclosure.

Cash: The bank deposits were verified by certificates obtained from the various banking institutions, and were reconciled with the association's records.

The cash book showed a balance, as of December 31, 1913, of \$8,673.66. Of this amount \$6,212.35 consisted of cash in banks and the remainder, \$2,461.31, of cash in office. The records of the home office show that the cash in that office on said date was \$603.07. There appears to be no record in the New York office at the time of examination showing the cash actually held in office on December 31, 1913.

The amount shown in the financial statement of this report as "Cash items in branch office, \$636.57" represents the balance shown after the deduction of such agents' balances and cash slips as it was possible to trace at the time of making the examination. No responsibility is assumed by your examiners for the accuracy of this item.

Combination Certificates in Force December 31, 1913, in Each Class, with the Total Life Insurance Carried.

Class	Prem.	Life Insurance	New York		Pennsylvania		Total Amount
			Number	Amount	Number	Amount	
A.....	\$1	\$125	646	\$80,750	31	\$3,875	\$84,625
B.....	2	250	381	95,250	34	8,500	103,750
C.....	3	375	29	10,875	3	1,125	12,000
D.....	4	500	48	24,000	7	3,500	27,500
E.....	5	625	4	2,500	..	.....	2,500
F.....	8	1,000	2	2,000	..	.....	2,000
			1,110	\$215,375	75	\$17,000	\$232,375

Total business in force December 31, 1913.

	No.	Amount
Combination	1,185	\$232,375
Casualty	1,281	529,700
Banner and Peerless	3,789	568,350
Life	6	6,500
Progressive	38	5,700
Weekly	77	7,700
	6,376	\$1,350,325

Conclusion

Since this examination was completed a reorganization among the officers and trustees has taken place. We are informed that all the former officers other than trustees were supplanted by new

men. The new officers elected are as follows: President, Ray B. Smith; Vice-President, Frank E. Baldwin; Secretary, H. G. Kenniston; Treasurer, C. A. Bridgeman.

We were further informed a resolution was adopted providing that none of these officers should receive any salary or compensation for services, except the secretary, whose salary was fixed at \$2,500 per year. The previous secretary, prior to November, 1913, received a salary of \$2,600 per year.

We were also informed that the trustees have directed certain other economies to be put in operation, which will result in a saving of fixed expenses of \$600 per month, as follows:

Net reduction in salaries of officers.....	\$150
Net reduction in salaries of managers and agents.....	200
Salary of agents' supervisor, discontinued.....	100
Reduction in traveling expenses allowed.....	100
Incidental expenses reduced	50
Total	<u>\$600</u>

After the above named officers assumed their duties an investigation was immediately begun of the so-called Eastern Department, or New York office, which had been in operation for a period of about four years under the management of H. W. Corey. It had within its jurisdiction entire supervision and control of all the business of the association in Eastern New York and Pennsylvania, collecting premiums, paying expenses, keeping records, adjusting claims, and simply reporting to the Syracuse office the net result of its business.

Even a proper management of the office would necessarily have involved a large duplication of expenses for salary of manager, rent, clerk hire and other office expenses in the transaction of business, which might better have been handled from the home office at comparatively little additional expense.

It was, therefore, determined to immediately discontinue this office, and all of the books and records, we are informed, have been transferred to the Syracuse office. Subsequently all the business of the association has been conducted from the latter office with the additional service of one clerk at ten dollars per week.

For the purpose of guaranteeing the future protection of the combination or dividend members of this association, a proposed contract between the association and a stock corporation, known as the "Underwriters of Syracuse, Inc.," of Syracuse, N. Y., has been submitted to this Department for its approval. This contract provides substantially as follows:

1. That the association will permit the "Underwriters" to, and the latter will, direct the management and conduct of the business of the association, including the collection of premiums, payment of losses and expenses of management, and for such purpose shall have access to the books, records and papers of the association and shall have general direction of its financial matters.

2. That the "Underwriters" will, from time to time as may be necessary, advance to the association such moneys as may be required for the payment of expenses of management, claims and losses incurred by it, other than in the so-called combination or dividend department, after application to the payment of the expenses of management of 35 per cent. of the premium income derived from said combination or dividend certificates.

3. That, as compensation for the risks assumed, services rendered and loans made, the association will repay to the "Underwriters" all moneys loaned or advanced with 6 per cent. interest thereon from the date of each advancement, from funds other than those held to the credit of the combination or dividend members, also 50 per cent. of the net profits made by the association on its business so managed and directed by the said "Underwriters," if any, during each year for a period of five years from the date of contract, except the combination or dividend business aforesaid.

4. That the "Underwriters" will guarantee that no part of the funds now legally and equitably held to the credit of the combination or dividend class of members, nor 65 per cent. of the premium income derived from such certificates will be used in any manner for the payment of expenses of management, losses or claims incurred on the part of the association in the conduct of its business, other than in the combination or dividend department itself, during such term and until the expiration of all the combination or dividend contracts.

Fraternal Beneficiary Orders or Societies

[863]

INDEPENDENT ORDER AHAWAS ISRAEL

NEW YORK, N. Y.

Examined to ascertain condition March 31, 1914.

Report dated April 28, 1914.

Examiner: Charles E. Heath.

Ledger Assets

Cash in banks.....	\$3,442 40
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Non-Ledger Assets

Mortuary assessments levied but not more than thirty days overdue.....	\$8,917 20
Per capita tax due March 15, 1914, uncollected.....	1,959 97
Reserve fund assessments due March 15, 1914, uncollected	405 10
Total non-ledger assets.....	11,282 27
Total admitted assets.....	\$14,724 67

Liabilities

Death claims	\$69,473 04
Unpaid bills	1,994 31
Borrowed money	3,857 00
Headstone deposits	250 00
Total liabilities	\$75,574 35
Excess of liabilities over assets.....	\$60,849 68

A statement of the income and disbursements for the year ending March 31, 1914, is as follows:

Ledger assets March 31, 1913, as per order's records, \$4,894.42.

Income

Assessments:	
Mortuary	\$84,272 22
Expense	8,482 24
Reserve	1,650 80
Charity	1,085 85
Certificate fees and tickets.....	1,459 17
Voluntary tax	8,045 40

Balls, picnics, etc.....	\$388 02	
Reserved graves	255 00	
Borrowed money	5,957 00	
Interest on bank deposits.....	93 13	
Total income		\$111,688 83
Total		\$116,583 23

Disbursements

Death benefits	\$93,612 30	
Propaganda	3,694 04	
Management and miscellaneous expenses.....	6,902 04	
Charity	1,544 00	
Legal	911 60	
Payments on cemetery.....	978 10	
Salaries of officers.....	1,767 29	
Salaries of office employees.....	701 65	
Settlements made with former employees for salary, etc.	676 24	
Borrowed money repaid.....	2,100 00	
Interest on borrowed money.....	191 00	
Total disbursements		113,078 26
Balance as per records.....		\$3,504 99
Total ledger assets exhibited.....		3,442 40
Deficiency unaccounted for.....		\$62 59

Organization

This order commenced business July 5, 1890. It admits to membership persons of the Jewish faith exclusively, between the ages of 21 and 45. It has subordinate lodges in New York, Pennsylvania, Maryland and New Jersey. Certificates are issued for the payment of death benefits only, in the sum of \$500, although there are a few outstanding carrying the benefit of \$250 and \$150, respectively.

Relative Condition

The last examination of this order was made by this Department as of February 28, 1913. At that time its liabilities exceeded its assets by the sum of \$45,473.63. The causes leading up to this condition were fully given in the report of the said examina-

tion, and there was subsequently an understanding between the Insurance Department and the management that the latter should be given one year to show whether the order could be rehabilitated by the levying of extra assessments upon the subordinate lodges.

The management accordingly proceeded to levy extra assessments to meet the existing condition, but the result thereof has been very disappointing. Only approximately \$8,000 has been collected on this account to the date of this examination, while death claims have accumulated rapidly. I find that the excess of liabilities over assets on date of this examination, to-wit, March 31, 1914, amounts to \$60,849.68, or an increase in 13 months of \$15,376.05, of which \$12,055.16 represents death losses. It appears that the total income from all assessments upon members for mortuary purposes, including both regular and special calls, received for the period of this examination was just about sufficient to meet the death losses incurred. The reason why the liability on this account has increased is by reason of the fact that part of the moneys collected for mortuary purposes have been used to defray the general expenses of maintaining and extending the order's work.

I call attention to the fact that such use of funds is in violation of the provisions of the Insurance Law. However, the funds collected for mortuary purposes and diverted have probably been prudently used, from an economical standpoint, in the great struggle the officers have made in trying to extend the order, visiting the local lodges for the purpose of apprising the members of the serious plight into which the order has fallen, and in trying to place it upon a sound foundation.

Action of Last Convention

Resolutions were adopted at the twenty-first annual convention of the order held March 22 and 23, 1914, in relation to raising funds to meet the order's outstanding obligations. Such resolutions are substantially as follows, according to the printed letters sent to the subordinate lodges by the management.

" First: That all lodges who have money in the bank are duty bound to turn over 30 per cent. of their money to the Grand Lodge providing the 30 per cent. of the money will cover \$1.50 for each member on its register. Should

the 30 per cent. not cover \$1.50 per member, the lodge must draw such amount that will equal the \$1.50 per capita. This amount is the same as per capita and is payable by the subordinate lodges as fixed by the Convention in two weeks' time.

Second: "It was decided that all lodges who have no money in the bank have to raise the required sum of \$1.50 per member from its membership. For information the officers of the lodge can apply to the Grand Lodge office and advice as to raising such moneys will be gladly given them.

"The Grand Lodge will return these moneys to the respective lodges as soon as they will find it in their power to do so.

"It is ordered that special meetings be immediately called by the president or secretary of each lodge so that the moneys may be turned over to the Grand Lodge as voted by the Convention within fourteen days.

"All checks are to be made payable to Robert Strahl, treasurer of committee, and mailed or delivered to the Grand Lodge office, 190 Bowery."

Subsequently another circular letter was sent out stating that 35 lodges had held special meetings and voted upon the resolutions, agreeing to turn over to the committee appointed by the grand master the amount required of them.

It appears, however, that little money was actually received and it became necessary to call a special convention on April 19 to make another urgent appeal to the various subordinate lodges for the payment of the special tax.

On April 20, 1914, another circular letter was sent out in which it was stated that at the special convention it was unanimously decided that the tax of \$1.50 per member should be paid not later than Monday, April 27, 1914, and that lodges failing to remit this tax within the stated time would be suspended from the roll of membership.

It will be noted that in the original resolutions the grand lodge promises to return the amount received from local lodges as soon as it is able to do so. This statement implies that such funds are in the nature of loans. The peremptory demand, however, made on April 20, 1914, requires the payment of the tax within a specified time or suspension from the roll of membership will follow. This would seem to be a negation of the idea that such funds are actually loans.

The maximum amount collectible by this tax, based upon the order's present membership, is \$23,740. Of this amount \$4,126 had been collected by the committee up to April 22, according to the statement of the grand secretary, who furnished your examiner with a list of the lodges and their remittances.

Borrowed Money

On the date of this examination the order owed the sum of \$3,857 on account of borrowed money, according to the statement of the secretary. Of this amount \$3,000 is owing the Century Bank of New York city on a discounted promissory note of the order secured by savings bank accounts in the same institution amounting to \$3,084.

I have accordingly credited the order in the statement of assets of this report with the latter amount as cash in bank, and included the amount of the note in the statement of liabilities as "borrowed money."

Cemetery Land

The order is owing a balance of \$4,480 under a contract to purchase cemetery land, the agreement being entered into in January, 1911. This contract runs for ten years and calls for payments in installments aggregating \$6,600.

The installment due this year on this contract has not been paid. Under the terms of the contract, if the order fails to complete the payments, the balance of the cemetery land becomes forfeited and no further liability attaches.

Deficiency

The cash deficiency of \$62.59 shown in this report is unaccounted for, but is probably due to some error in bookkeeping. The secretary does not keep a double entry set of books and it is very difficult to reconcile the actual assets of the order at any given date with the income and disbursements for a given period by reason of the methods of accounting used. It was found that the balance of assets on hand on the date of this examination, reconciled with the income and disbursements for the year, together with the balance as shown by the records at the beginning thereof, shows a discrepancy amounting to a deficiency of the above amount.

Officers and Salaries

The following are the officers of the order at the present time and the salaries paid each:

	<i>Salary</i>
Leonard A. Snitkin, Grand Master.....	None
Isidor Berman, Grand Secretary.....	\$1,800 00
Marcus Fried, Grand Messenger.....	1,040 00

Membership and Insurance

The order, on date of this examination, had 173 subordinate lodges and total membership of approximately 15,827. Since the last examination there has been a loss in membership of 2,373 members. There are in force 15,734 certificates of \$500 each, 86 of \$250 and 7 of \$150, representing in the aggregate \$7,890,950 of insurance.

Conclusion

It is obvious from the foregoing report that this order is insolvent by reason of the fact that the members thereof will not pay the cost to insure one another. The actual condition is a state of demoralization. Several suits have been brought and discriminations have been made to favor those claimants who press their claims through suits or influence, to the disadvantage of those who are waiting patiently for the payment of their claims in their regular order.

Complaints are being made frequently to the Insurance Department by beneficiaries, the payment of whose claims is being put off from time to time, but no proper advice can be given to the inquirers in view of the actual condition prevailing.

It would seem under such circumstances that it is the duty of the Department to apply at once to the court for an order of liquidation under section 63 of the Insurance Law, upon the ground that the order is insolvent and is in such condition that its further transaction of business would be hazardous to its members, its creditors and the public.

From the data given in the last annual statement it was found that the average age of the members is between 42 and 43 years. Many of the members could obtain insurance elsewhere, but, on the other hand, there are some who are too old and impaired in health to do so. The loss to these and the unpaid beneficiaries seems to be inevitable in the premises.

THE AMERICAN BENEFIT ASSOCIATION OF THE STATE OF NEW YORK

WHITE PLAINS, N. Y.

Examined to ascertain condition April 30, 1914.

Report dated May 22, 1914.

Examiner: J. F. Tucker.

Ledger Assets

Cash in bank.....	\$170 99	
Cash in office.....	423 10	
Total ledger assets.....		\$594 09

Non-Ledger Assets

Assessments called within thirty days, uncollected.....	122 60	
Gross assets		\$716 60

Liabilities

Death claims	\$500 00	
Accrued salaries	76 66	
Accrued rent	15 00	
Accrued bills and accounts.....	30 05	
Advance assessments	83 75	
Total liabilities		705 46
Excess of assets over liabilities.....		\$11 23

A statement of the income and disbursements for the year ending April 30, 1914, is as follows:

Balance April 30, 1913.....	\$1,923 77
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Income

Assessments	\$4,209 55	
Dues, certificate fees and changes.....	1,184 95	
Interest on bank deposits.....	34 04	
Total income		5,428 54
Total		\$7,352 31

Disbursements

Death claims	\$6,000 00	
Salaries of officers	260 00	
Rent	278 00	
Actuarial services	50 00	
Surety bonds	5 00	
National Fraternal Congress	5 00	
Printing	52 20	
Traveling expenses	10 00	
Miscellaneous expenses	98 02	
Total disbursements		\$6,758 22
Balance ledger assets April 30, 1914		\$594 09

Assets

The cash in bank was verified by certificate obtained from the bank and reconciled with the association's records.

The cash in office could only be verified by a letter from the treasurer in which he states that he has received from the secretary since May 1, the sum of \$423.10 on account of April business, and that the same has been deposited in bank.

The uncollected assessments allowed represent the balance of the April assessments uncollected at the end of that month as shown by the secretary's books.

Liabilities

The liabilities very nearly equal the gross assets. There are two unpaid death claims amounting to \$250 each. The accrued salaries represent the officers' salaries for the first four months of 1914. The accrued rent is for the month of April. The amount of accrued bills and accounts was obtained from the secretary. The advance assessments, amounting to \$79.85, represent recent over-payments by councils which will be applied to future assessments as they are called.

In addition to the above there are certain credits to various lodges, amounting in the aggregate to approximately \$1,000, which are treated by the management as advance assessments. This matter is explained as follows:

When the association was organized in 1912 each applicant for membership paid into the fund — in order to meet the requirements of the Insurance Law — one per cent. of the amount of insurance applied for. After receiving its certificate of authority from the Superintendent of Insurance, the association, instead of keeping the money so paid in as a reserve fund, applied it against assessments as they were called. In consequence of this procedure the association was soon unable to meet the incurred death claims and the members were thereafter required to pay their assessments in cash.

In the foregoing financial statement the balance still unused for assessments has not been entered as a liability, for the reason that in the event of liquidation the amount would not, of course, be returned to the members.

It is recommended, however, that, as soon as the association shall have accumulated funds sufficient to permit of such action, the credit balances be applied against current assessments until they are exhausted — this for the reason that there be no discrimination against those members whose original payments have not yet been so applied.

I am informed by the secretary that at a recent meeting of the board of trustees it was decided that these advances should be held for at least another year.

Funds

The association maintains two funds, viz.: Benefit and general. The latter is the expense fund.

A statement of the income and disbursements of each fund for the year ending April 30, 1914, is as follows:

<i>Benefit Fund</i>	
Balance April 30, 1913.....	\$1,875 45
<i>Income</i>	
Assessments	\$4,209 55
Interest	34 04
Transfer from general fund.....	154 30
Total income	4,397 89
Total	\$6,273 34

<i>Disbursements</i>	
Death claims	\$6,000 00
Balance April 30, 1914.....	\$273 34
<i>General Fund</i>	
Balance April 30, 1913.....	\$48 32
<i>Income</i>	
Dues, certificate fees and changes.....	1,184 95
Total	\$1,233 27
<i>Disbursements</i>	
Total expenses of management.....	\$758 22
Transfer to benefit fund.....	154 30
Total disbursements	912 52
Balance April 30, 1914.....	\$320 75
<i>Recapitulation of Fund Balances</i>	
Benefit	\$273 34
General	320 75
Total ledger assets.....	\$594 09

Organization and Membership

This association commenced business in October, 1912. The number of certificates issued up to the end of that year was 1,764. During the year 1913, 395 certificates were issued, and during the first four months of 1914, thirty-six, making a total of 2,195 issued since organization. Of this number, 1,943 were in force on April 30, 1914, the total amount of insurance represented being \$485,750. Certificates have been issued for \$250 only.

Only men between the ages of eighteen and fifty years, known to be of good moral character and able to support themselves and their families, are eligible for membership.

Prior to January, 1914, no medical examination was required, but I am informed that since that time all applicants have been required to pass a satisfactory medical examination in order to be admitted to membership.

Assessments

Assessments are collected by the treasurers of the local councils and remitted to the secretary of the association, who turns the

amount over to the treasurer for deposit. Since organization the annual assessment for expenses has been 60 cents per member.

Prior to March 1, 1914, twelve monthly assessments of 20 cents each were collected for the benefit fund. The amount thus produced proved inadequate to meet the death claims incurred, and on March 1, 1914, the assessments were increased to 25 cents and 16 are to be levied each year, making the annual contribution for the benefit fund \$4 for each member, regardless of age.

In addition to the above assessments, an enrollment fee of 25 cents and a charge of 50 cents for change of certificate are collected and credited to the general fund.

Death Claims

Death claims are payable to the treasurers of the local councils and all checks in payment of such claims are made payable to them instead of to the beneficiaries. It appears that this method is followed in pursuance of the certificate contract, wherein it is provided that the benefit will be paid to the treasurer of the local lodge respectively.

The checks are not endorsed by the beneficiary, nor is any receipt for the payment forwarded to the association. There is therefore no record that the beneficiary has received the payment. Death claim papers, consisting of certificates signed by local lodge officers, physician and undertaker are the only records on file.

I am informed by the secretary that some councils do not even deliver the certificates to the members, but keep them on file at the local headquarters.

I respectfully submit the question whether this procedure is proper and for the best interests of the members of the association.

Officers

The officers of the association receive only a nominal salary. The present officers and the annual salaries paid to each are as follows:

President	Charles Ehret	\$5 00
Vice-President	Alfred E. Dolan.....	.....
Secretary	Frederick E. Parker.....	200 00
Treasurer	Edward J. Bridges.....	25 00

The secretary and treasurer are bonded for \$1,000 each.

DISTRICT GRAND LODGE NO. 1, INDEPENDENT ORDER BENAI BERITH

NEW YORK, N. Y.

Examined to ascertain condition April 30, 1914.

Report dated July 7, 1914.

Examiner: J. F. Tucker.

District Grand Lodge No. 1 covers the states of New York, Massachusetts, Rhode Island and Connecticut and is one of eleven districts composing the Constitution Grand Lodge, Independent Order Benai Berith, with headquarters in the city of Chicago. District Grand Lodge No. 1 was instituted in 1851 and in 1878 the present corporate body was chartered by a special act of the Legislature (chapter 188, Laws of 1878). The order is now operating under the provisions of article VII of the Insurance Law.

The present objects of the order are mainly social, charitable and benevolent.

The financial condition of the order as of April 30, 1914, was found to have been as follows:

<i>Ledger Assets</i>	
Book value of real estate.....	\$229,474 96
Mortgage loans on real estate.....	204,750 00
Book value of bonds.....	24,000 00
Deposits in trust companies and banks.....	13,427 27
Cash in office.....	342 25
Total ledger assets.....	\$471,994 48
<i>Non-ledger Assets</i>	
Interest accrued on mortgage loans.....	\$3,600 96
Interest accrued on bonds	174 16
Rents accrued	94 04
Assessments in process of collection.....	5,426 58
Market value of real estate over book value...	99,025 04
Market value of bonds over book value.....	840 00
Office rent paid in advance.....	116 67
Total non-ledger assets.....	109,277 45
Gross assets	\$581,271 93

Liabilities

Death claims	\$3,789 66
Constitution Grand Lodge dues	2,746 50
Deposit on account of option on real estate....	500 00
Total liabilities	\$7,036 16
Balance of assets over liabilities.....	\$574,235 77

*Assets**Real Estate:*

In addition to the Home for the Aged and Infirm at Yonkers, the society owns three parcels of real estate located in the borough of Manhattan. These parcels have been acquired through foreclosure proceedings. An appraisal by this Department fixes the market value of all the real estate owned by the order at \$328,500 or \$99,025.04 more than the book value. The latter figure has been allowed as a non-ledger asset.

Mortgage Loans:

The mortgage loans were verified by an inspection of the usual mortgage papers on file at the society's office. The real estate securing these loans is now being appraised by this Department and a separate report of the results thereof will be submitted.

Cash:

The deposits in trust companies and banks were verified in the usual manner by certificates obtained from the various banking institutions and reconciled with the order's records. The cash in office represents receipts on the last day of the month which were deposited on the following day as shown by the bank pass books.

*Liabilities**Death Claims:*

The amount of unpaid death claims was taken from the order's records. Five of these claims, amounting to \$1,850, were paid during the month of May. The majority of the remaining claims are held up on account of difficulty in finding the beneficiaries.

Constitution Grand Lodge Dues:

The members of District No. 1 pay to the District regular dues for the benefit of the Constitution Grand Lodge. This liability, amounting to \$2,746.50, represents such dues which have been collected by the District and have not been turned over to the supreme lodge.

Deposit on Account of Option:

The tenants of one of the parcels of real estate owned by the order have secured an option for the purchase of the property and have deposited thereon the sum of \$500. I am informed that, since the completion of this examination, the transaction has been consummated.

The income and disbursements for the year ending April 30, 1914, were as follows:

Balance, ledger assets April 30, 1913.....	\$496,505 82
--	--------------

Income

Assessments and dues.....	\$53,658 87
Interest and rents.....	14,900 80
Contributions, donations, bequests and endowments	3,245 76
Allowance from Constitution Grand Lodge for propaganda	300 00
Sundries	305 16

Total income	74,410 59
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Total	\$570,916 41
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Disbursements

Death claims	\$61,817 11
Salaries of officers and office employees.....	3,347 99
Expense of management.....	34,756 85

Total disbursements	98,921 93
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Balance, ledger assets April 30, 1914.....	\$471,994 48
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Funds

The endowment fund is used for the payment of death claims, and for certain expenses, the amount of which is determined by the annual convention. The District Grand Lodge fund is the

general expense fund of the order. The Constitution Grand Lodge fund consists of dues collected from all members, the total being turned over to the Constitution Grand Lodge. The home reserve, general, home account and home patrons funds are all for the maintenance of the Home for the Aged and Infirm, located at Yonkers, N. Y., and therefore, for the purposes of this report, the income and disbursements pertaining to these four funds have been combined under "Home Fund." Mileage expended by the representatives to the Grand Lodge Convention is paid from the mileage fund and the total assessed among the members pro rata. Voluntary donations for charitable purposes are credited to the charities fund and used for such purposes.

The income and disbursements pertaining to each fund were, for the year ending April 30, 1914, as follows:

Endowment Fund

Balance April 30, 1913.....	\$291, 437 95
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Income

Assessments	\$33,980 03	
Interest on mortgages	11,024 38	
Interest on bonds	58 75	
Interest on bank deposits.....	395 63	
Rent from real estate.....	969 23	
Total income.....		46, 428 02
Total		\$337, 865 97

Disbursements

Death claims	\$61,817 11	
Salaries	2, 340 75	
Rent	683 34	
Advertising, printing and stationery.....	189 39	
Postage, express, telephone and telegraph....	93 43	
Taxes, repairs and expenses on real estate....	877 40	
Insurance	40 00	
Auditor	83 36	
Bank exchange	2 07	
Premiums on bonds purchased.....	428 13	
Total disbursements		66, 554 98
Balance April 30, 1914.....		\$271, 310 99

District Grand Lodge Fund

Deficit April 30, 1913.....	\$1,657 81
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Income

Dues	\$3,804 63
Interest on bank deposits.....	33 18
Propaganda allowance	300 00
Sundries	305 16

Total income	4,442 97
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Excess of income over deficit.....	\$2,785 16
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Disbursements

Salaries	\$1,007 24
Rent	683 34
Advertising, printing and stationery.....	483 12
Postage, express, telephone and telegraph....	433 44
Donations and testimonials.....	610 00
Propaganda	1,718 15
Insurance	47 80
Grand lodge convention.....	329 08
Committee expenses	279 62
Auditor	41 64
Sundries	111 80

Total disbursements	5,745 23
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Deficit April 30, 1914.....	\$2,960 07
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Constitution Grand Lodge

Balance April 30, 1913.....	\$4,157 75
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Income

Dues received	6,033 50
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Total	\$10,191 25
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Disbursements

Dues remitted	9,192 75
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Balance April 30, 1914.....	\$998 50
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Mileage Fund

Deficit April 30, 1913.....	\$116 88
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Income

Assessments	\$353 39
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Excess of income over deficit.....	\$236 51
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Disbursements

Mileage paid to representatives.....	700 61
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Deficit April 30, 1914.....	\$464 10
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Charities Fund

Balance April 30, 1913.....	\$103 75
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Income

Donations by members.....	237 00
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Total	\$340 75
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Disbursements

Donations for charitable purposes.....	258 75
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Balance April 30, 1914.....	\$82 00
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Home Fund

Balance April 30, 1913.....	\$202,581 06
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Income

Dues	\$11,487 32
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Contributions, donations, bequests and endow- ments	3,008 76
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Interest on mortgages	649 30
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Interest on bonds	247 92
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Interest on bank deposits	333 35
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Rents	1,189 06
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Total income	16,915 71
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Total	\$219,496 77
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Disbursements

Salaries of superintendent and matron.....	\$999 96
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Salary of house physician.....	450 00
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Wages of help, etc.	4,662 78
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Building repairs, etc.	526 69
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Light, heat and power.....	2,041 70
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Printing, stationery, express, etc.	604 90
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Food, clothing, etc.	5,911 56
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Funeral and cemetery expenses.....	287 57
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Taxes and insurance.....	329 37
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Dues paid for home inmates.....	\$78 82	
Premiums on bonds purchased.....	200 00	
Sundries	376 26	
Total disbursements		\$16,469 61
Balance April 30, 1914.....		\$203,027 16
<i>Recapitulation of Fund Balances April 30, 1914</i>		
Endowment		\$271,310 99
Constitution		998 50
Charities		82 00
Home		203,027 16
Total		\$475,418 65
District (deficit)	\$2,960 07	
Mileage (deficit)	464 10	
Total deficits		3,424 17
Balance ledger assets April 30, 1914.....		\$471,994 48

Rates and Benefits

In the early days of the order all members between 21 and 45 years of age who were able to pass satisfactory medical examinations were eligible to participate in the endowment fund. The rates, which were the same to all members regardless of age, proved inadequate and were therefore frequently increased. In 1893, in which year all members were paying a uniform rate of \$18 per annum, the following rates per \$1,000 of insurance were adopted:

<i>Attained ages</i>	<i>Rates per annum</i>
21-25	\$15 00
25-30	18 00
30-35	21 00
35-40	24 00
40-50	27 00
50 and over.....	30 00

These rates still proved inadequate and in 1902 the by-laws were amended, reducing the benefits from \$1,000 to \$600, the above rates being continued. All members were permitted to still further reduce their insurance to \$500, \$450 and \$300, paying therefor pro rata. Those who had not attained the age of fifty years in 1893 could also increase their insurance to \$750 or \$1,000, paying pro rata therefor. Members fifty years of age

and over in 1893 were obliged to pay for \$750 of insurance, \$56.25 per annum, and for \$1,000, \$75 per annum. These rates are still in force.

No new members have been admitted to the endowment class for the past eighteen years or more, and it is evidently the intention to eliminate the endowment feature as soon as the existing obligations shall have matured.

In addition to the above rates paid by endowment members, all members of the order over twenty-five years of age pay annual dues amounting to \$4.52, \$1.28 of which is for the expense fund and \$3.24 for the home fund. Members under twenty-five years of age pay one-half these rates. Members of new lodges pay for the first two years annual dues of \$1.50, which amount is pro rated between the funds. The annual dues for the benefit of the Constitution Grand Lodge are \$1.50 from each member. This is in addition to the payments enumerated above.

Membership

The total present membership of District Grand Lodge No. 1 is 4,232. Of this number 1,130 are endowment members, the amount of insurance in force being \$691,500.

The following table shows the number of endowment members and the amount of insurance in force, classified as to age and amount of certificate:

AGE	No.	\$1,000	No.	\$750	No.	\$600	No.	\$500	No.	\$450	No.	\$300
40-49.....					12	\$7,200					1	\$300
50-59.....	25	\$25,000	1	\$750	93	55,800	2	\$1,000			7	2,100
60-69.....	50	50,000	7	5,250	296	177,600	12	6,000	3	\$1,350	25	7,500
70-79.....	19	19,000			366	219,600	14	7,000	3	1,350	31	9,300
80-89.....	3	3,000			137	82,200	3	1,500	1	450	11	3,300
90-over.....			1	750	7	4,200						
Total.....	97	\$97,000	9	\$6,750	911	\$546,600	31	\$15,500	7	\$3,150	75	\$22,500

Home for the Aged and Infirm

Since 1882 the order has maintained, at Yonkers, N. Y., a home for the aged and infirm. Aged or incapacitated members of District No. 1 may be admitted to this "Home" under conditions prescribed in the by-laws. On December 31, 1912, there were 66 inmates. During the year 1913 eight members were admitted,

eleven inmates died and three withdrew. The number of inmates on December 31, 1913, was therefore 60. On April 30, 1914, the number had become further reduced to 57.

The administration of the "Home" is vested in a Board of Governors, consisting of 21 members of the District. The governors serve three years each, seven being elected annually.

The expenses of the "Home" are met by an annual per capita tax of \$3.24 assessed quarterly upon the entire membership of the District. During the twelve months covered by this examination the dues collected amounted to \$11,487.32 while the expenses of maintenance were over \$16,000. This deficit was covered by interest on the "Home" funds, bequests, donations, patrons' dues, etc., and the "Home Reserve Fund" was slightly increased thereby.

Upon the death of an inmate of the "Home" who, at the time of his death, was a participant in the endowment fund, the amount of his death benefit reverts to the home fund, unless a widow or minor children survive him, in which case only one-half the amount is turned over to the fund, the other half being paid to the survivors. If, at the time of his death, the widow is and continues to be an inmate and there are no minor children, the whole endowment is paid to the home fund. If minor children survive, one-half the death benefit is paid to them, even though the widow shall be an inmate. In any event any dues and assessments which may have been paid by his lodge or by the "Home" and any funeral expenses incurred by the Home are deducted from the endowment before the division is made between the home reserve fund and the beneficiaries.

Officers

The only salaried officer of the order is the secretary who receives \$2,500 per annum. The secretary is bonded for \$5,000, the treasurer for \$10,000 and the home treasurer for \$2,000.

The present officers are as follows:

President	Rev. Dr. Joseph Silverman
1st Vice-President.....	Herman Asher
2d Vice-President	Abraham K. Cohen
Secretary	Reginald E. Zunder
Treasurer	Solomon Sulzberger
Home Treasurer	Moses Minzesheimer

BENEVOLENT SOCIETY OF THE UNITED STATES FOR THE PROPAGATION OF CREMATION

NEW YORK, N. Y.

Examined to ascertain condition March 31, 1914.

Report dated June 8, 1914.

Examiner: J. F. Tucker.

Ledger Assets

Cash in banks on interest.....	\$6,094 95	
Cash in banks not on interest.....	163 98	
Cash in office.....	45 90	
Total ledger assets.....		\$6,304 83

Non-Ledger Assets

Assessments called but uncollected.....	584 65	
Gross assets		\$6,889 48

Liabilities

Unpaid death claims.....	180 00	
Balance of assets over liabilities.....		\$6,709 48

The deposits in savings banks on interest were verified by the bank pass books and the checking account by certificate obtained from the bank and reconciled with the outstanding checks. The cash in office was counted during the examination and checked back to March 31st. The assessments called but uncollected represent March assessments, all of which were collected during the month of April.

There were but two unpaid death claims, one of which is due a minor for whom no guardian has been appointed. The cost of cremation in this case has been paid leaving a balance of \$80 due.

In addition to the above there have occurred during the year covered by this examination eight deaths among members in good standing, the surviving relatives in each case failing to

have the bodies cremated. These claims have not been paid and no liability to cover them has been set up in this report for the reason that, as hereinafter explained, the society incurs no obligation for the death of a member unless the body is cremated.

The income and disbursements for the twelve months ending March 31, 1914, were as follows:

Balance March 31, 1913.....		\$5,848 45
<i>Income</i>		
Mortuary assessments	\$9,659 05	
Initiation fees	664 00	
Duplicate receipt books.....	3 40	
Interest on bank deposits.....	190 97	
Total income		10,517 42
Total		\$16,365 87
<i>Disbursements</i>		
Death claims	\$7,580 00	
Salaries of officers.....	1,175 75	
Expense of management.....	1,305 29	
Total disbursements		10,061 04
Balance ledger assets March 31, 1914.....		\$6,304 83

Records and Scope of Examination

The assessments received for a period of four months were checked with the remittance advices sent in by the subordinate branches. The interest was verified by the bank pass books.

The disbursements for the year covered by this examination were checked with the receipted vouchers on file and also with the cancelled checks.

The local branches remit the assessments to the secretary who turns the receipts over to the treasurer on the 15th and last of each month, taking a receipt therefor.

Disbursements are made only on orders signed by the secretary. All checks are signed by the secretary and treasurer who assume all responsibility for the correctness of disbursements, no approval of claims or bills by the president or executive board being required.

The books of record are sufficient for the needs of the society. A death-claim register adequately ruled to contain all necessary information is kept by the secretary but the entries are only made at the end of each quarter year. At the request of your examiner the secretary has signified his intention of hereafter making the entries as soon as the claim papers are received.

The books of both the secretary and the treasurer are audited quarterly by an auditing committee composed of four members of the society who are elected by the annual convention.

The books are balanced and a printed financial report is rendered for the benefit of the members at the end of each quarter. The books are not closed immediately at the end of the quarter, however, but are held open until all assessments called during the quarter have been collected, the subsequent collections pertaining to each quarter being added to the receipts thereof. Therefore, the society's records as finally made up do not show the actual condition on the last day of the quarter.

The figures in this report, however, have been adjusted to show the actual condition of the society on March 31, 1914.

All claims and expenses are paid from the same fund, no specific amount being collected for either purpose.

Initiation Fees

The initiation fees vary according to the ages of the applicants. The fee for all ages under 50 is \$1.25, increasing \$1 per year up to age of 54 and \$2 thereafter.

Twenty-five cents from each fee is retained by the local branch to cover the cost of postage and correspondence relative to the admission. The balance is remitted to the financial secretary of the society.

Assessments

Assessments are called monthly and, while theoretically based on the number of deaths occurring during the previous month, a small sum is added to cover the expenses of the society, the amount of each assessment being determined by the executive board, which meets the second Friday in each month.

Conditions and Benefits

Candidates may be proposed at a regular meeting of a branch by any member of the society.

A medical examination is not required for admission to the society but the initiate is not in benefit until he has been a member in good standing for at least forty-two days.

Your attention is respectfully called to the provisions of subsection 3 of section 231 of the Insurance Law which reads in part as follows:

"A society may admit to beneficial membership any person * * * who has been examined by a legally qualified physician and whose examination has been supervised and approved in accordance with the laws of such society."

Each candidate must fill out and sign an application blank and must appear in person before a meeting of the branch with which he is to become affiliated in order that he may be examined as to his personal qualifications. If for good reasons he is unable to appear before such meeting a committee of two is appointed to call upon the applicant and report upon his eligibility.

No policy or certificate is issued to the member but he is supplied with a small receipt book, bearing his roll number, in which the local secretary enters and signs for each assessment as it is paid.

In case of death this book is turned in with the death claim papers. Proof that the body has been cremated is required in every case. If the body is not cremated there is no liability incurred by the society. This is clearly set forth in section 11 of article 3 of the Constitution as follows:

"Section 11. If the survivors or beneficiaries of a member refuse to have him or her cremated, such beneficiary or beneficiaries shall forfeit all right to any benefit which beneficiary or beneficiaries might otherwise be entitled to. The cremation of the body, except as herein provided, shall be a condition precedent to creating any obligation on the part of the society."

The only exception is the case of a death at sea where cremation would be impossible. Proof of such conditions entitles the beneficiary to receive the death benefit.

The maximum and minimum benefit is \$100. In Greater New York and vicinity the cost of cremation is paid by the society direct to the crematory, the remainder of the benefit being

paid to the beneficiary. Elsewhere the \$100 is paid direct to the beneficiary, upon sufficient proof of death and cremation. The cost of cremation is usually about \$20.

Membership

Both men and women from 18 to 59 years of age and of good moral character are eligible to membership.

The society has 88 branches in 13 states, including New York, and the total membership on March 31, 1914, was 5,100, representing insurance to the amount of \$510,000.

BUFFALO POLICE MUTUAL AID AND BENEFIT ASSOCIATION

BUFFALO, N. Y.

Examined to ascertain condition December 31, 1914.

Report dated March 10, 1914.

Examiners: Clarence J. Norton and J. F. Tucker.

Ledger Assets

Cash in banks.....	\$60,225 56
Cash in office.....	9 95
Total ledger assets.....	\$60,235 51

Non-Ledger Assets

Due from annual ball.....	85 00
Gross assets	\$60,320 51

Liabilities

Commissions due collectors.....	17 00
Balance of assets over liabilities.....	\$60,303 51

A statement of the income and disbursements for the year ending December 31, 1913, is as follows:

Balance ledger assets December 31, 1912.....	\$64,584 27
--	-------------

Income

Assessments and fees.....	\$8,481 00	
Interest on bank deposits.....	2,328 02	
Net receipts from annual ball.....	13,102 22	
Total income		23,911 24
Total		\$88,495 51

Disbursements

Death claims	\$27,500 00	
Floral tributes	180 00	
Salaries of officers.....	400 00	
Bonds of officers.....	25 00	
Legal services	5 00	
Printing and postage.....	50 00	
Donation	100 00	
Total disbursements		28,260 00

Balance ledger assets December 31, 1913.....	\$60,235 51
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Funds

The society maintains two funds, viz., the mortuary fund and the expense fund.

Mortuary Fund: This fund is credited with all moneys collected by assessments, the net receipts of the annual entertainment, the interest accruing from the funds of the association on deposit, and donations. As its name implies, it is used only in paying the death claims of members.

The statement of the income and disbursements of this fund for the year ending December 31, 1913, is as follows:

Balance December 31, 1912.....	\$64,293 52
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Income

Assessments	\$8,207 50	
Interest on bank deposits.....	2,328 02	
Annual ball	10,491 87	
Souvenir book	2,174 60	
Total income		23,201 99
Total		\$87,495 51

Disbursements

Death claims	\$27, 500 00
Balance December 31, 1913.....	<u>\$59, 995 51</u>

Expense Fund: This fund is maintained by various fees. Section 3 of article 6 of the constitution provides that the credits to this fund shall not exceed \$1,000 in any one year. In order to bring the revenues up to this figure it is necessary to transfer from the mortuary fund a certain amount of the profits from entertainments, etc.

A statement of the income and disbursements of this fund for the year ending December 31, 1913, is as follows:

Balance December 31, 1912.....	\$290 75
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Income

Initiation, reinstatement and certificate fees..	\$273 50
Transferred from mortuary fund on account of annual ball receipts.....	435 75
Total income	<u>709 25</u>
Total	<u>\$1, 000 00</u>

Disbursements

Total expenses of management.....	<u>760 00</u>
Balance December 31, 1913.....	<u>\$240 00</u>

Assets

The assets of this association consist entirely of cash, practically all of which is deposited in two banks; such assets, upon the date of this examination, were verified by certificates from the banking institutions and reconciled with the society's records. All deposits draw interest at the rate of 4 per cent. on quarterly balances, and each bank gives a surety bond insuring the safety of the deposit up to \$25,000.

Under the circumstances it would seem that this arrangement is better than to make investments in securities, at least until the assets are larger and the organization is better equipped to pass upon proper securities for investments.

Income and Disbursements

The interest receipts were verified from the bank pass books, and the income from assessments, from the record of members in good standing during each quarter.

There are no papers filed with death claims, save a certificate from a committee of three members whose duty it is to personally investigate each death and report the same in writing to the treasurer. The death claims paid for the year were verified from such certificates, together with the canceled checks on file.

Organization

This association commenced business in 1891. It admits to membership any male member of the Buffalo Police Department under thirty-five years of age whose name appears on the permanent payroll of the department and who furnishes a police surgeon's certificate of good health. This law has been suspended to the extent that the mayor of the city of Buffalo may become eligible; also the commissioner of police, regardless of age.

Nearly all the present members of the police force of Buffalo are members of the association, and we find that the by-laws provide that they may continue as such even if their employment in the Police Department ceases, provided they continue to pay the regular assessments.

The local precincts of the department constitute the subordinate lodges, and, under the rules, all assessments are collected by the precinct's treasurer and turned over to the general treasurer within three days after the date upon which said assessments are ordered paid.

Rates and Benefits

Certificates are issued to each member for one amount, viz., \$1,250. This sum is payable only in the event of death. No disability benefits are allowed, but section 4 of article 8 provides that any member who may become temporarily embarrassed, through illness or other cause, so as to be unable to pay his assessments as provided, may be granted an extension by the general committee, provided that all suspended assessments shall be deemed a lien upon the policy of the member and shall be deducted from the amount of the benefit before payment is made.

The regular initiation fee is \$5, but, in the event a member fails to affiliate with the society during his first year on the police force, the constitution provides that he must, at the time of admission, pay an additional \$10 for each year or part of a year succeeding his appointment in which he fails to become a member of the association.

Assessments upon all members, regardless of age, amount to \$2.50 for each death, but the constitution provides that not more than four shall be called in any one year.

The following table shows the membership on December 31st, the assessments received, number of deaths incurred and the amount of death claims incurred in each year for the last ten years:

<i>Membership Dec. 31</i>	<i>Assessments Received</i>	<i>Deaths Incurred</i>	<i>Amount of Death Claims Incurred</i>
1904 735	\$7,312 00	7	\$8,750 00
1905 746	7,327 50	13	16,250 00
1906 770	7,620 00	11	13,750 00
1907 782	7,680 00	10	12,500 00
1908 808	7,805 00	13	16,250 00
1909 808	8,047 50	11	13,750 00
1910 812	8,060 00	17	21,250 00
1911 818	8,117 50	15	18,750 00
1912 822	8,165 00	17	21,250 00
1913 816	8,207 50	21	26,250 00

It will be noted that the assessments collected have not been sufficient to pay the death claims. The difference has been made up by the receipts from an annual ball and by interest received on bank deposits.

The death claims for the year 1913 were the heaviest in the history of the society and the reserve was therefore somewhat reduced.

Although the general committee is empowered by the constitution to increase the number of assessments in their discretion, they preferred that the matter should be acted upon by the members. The latter therefore voted upon the matter in the month of January, 1914, and we are informed that a resolution increasing the assessments to six each year was carried by a small majority, and that the general committee will therefore order such extra assessments during the present year.

Annual Ball

One of the features of this association, as above referred to, is the ball which is given each year, from which is derived a large revenue. The net receipts of the one held in 1913 amounted to \$13,102.22. This included the sum of \$2,174.60 received on account of a souvenir book which was issued in connection with the entertainment.

Audits

We find that periodical audits are made of the accounts of this association by the Board of Trustees.

Officers

The present officers of the association are as follows:

President	Michael Regan
Secretary	Timothy J. Canty
Treasurer	Thomas O'Brien

The secretary receives \$100 and the treasurer \$300 per annum. The latter is bonded for \$10,000.

Membership and Insurance.

The number of members December 31, 1913, was approximately 816, and the total amount of insurance outstanding was \$1,020,000.

SUPREME COUNCIL, CATHOLIC BENEVOLENT
LEGION

BROOKLYN, N. Y.

Examined to ascertain condition October 31, 1913.

Report dated December 22, 1913.

Examiner: John E. Diefendorf.

Ledger Assets

Book value of bonds.....	\$529,624 66	
Cash in banks.....	59,426 89	
Total ledger assets.....		\$589,051 35

Non-ledger Assets

Interest accrued	\$8,533 64
Assessments in process of collection by subordinate councils, not yet turned over to supreme body	14,930 03
Total non-ledger assets.....	<u>\$23,463 67</u>
Gross assets	\$612,515 02

Assets Not Admitted

Book value of bonds over market value.....	17,454 66
Total admitted assets.....	<u>\$595,060 36</u>

Liabilities

Death claims resisted.....	\$8,000 00
Death claims unadjusted.....	22,000 00
Disability claims	3,424 38
Total claims	<u>\$33,424 38</u>
Miscellaneous current bills.....	85 95
Assessments paid in advance.....	174 30
Total liabilities (not including reserve on certificates) ..	<u>33,684 63</u>
Balance to protect outstanding contracts.....	<u><u>\$561,375 73</u></u>

A statement of the income and disbursements for the ten months ending October 31, 1913, is as follows:

Balance ledger assets December 31, 1912..... \$519,977 37

Income

Assessments	\$513,347 97
Dues and per capita tax.....	14,941 78
Certificate fees	726 50
Fines, etc.	375 40
Total income from members.....	<u>\$529,391 65</u>
Interest accrued on bonds purchased.....	14,320 75
Miscellaneous	1,173 54
Total income	<u>544,885 94</u>
Total	<u><u>\$1,064,863 31</u></u>

Disbursements

Death claims	\$447,317 71	
Disability claims	12,101 99	
Total payments to members.....	\$459,419 70	
Salaries of officers.....	4,909 80	
Salaries of office employees.....	3,718 00	
Compensation of committees.....	245 00	
Management and miscellaneous.....	6,545 84	
Annual meeting	881 83	
Loss on maturity of bonds.....	1 79	
Total disbursements		\$475,811 96
Balance ledger assets October 31, 1913.....		\$589,051 35

A statement of the income and disbursements of the society's funds for the period covered by this examination is as follows:

Benefit Fund

Balance December 31, 1913.....	\$517,307 14
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Income

Assessments	\$513,347 97	
Interest	14,177 07	
Increase by adjustment in book value of bonds.....	25 00	
Total income.....		527,550 04
Total		\$1,044,857 18

Disbursements

Total claims paid.....	\$459,419 70	
Transferred to general fund, representing interest on bank deposits.....	2,537 48	
Loss on maturity of bonds.....	1 79	
Total disbursements.....		461,958 97
Balance October 31, 1913.....		\$582,898 21

Expense Fund

Balance December 31, 1912.....	\$2,670 23
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Income

Dues, per capita tax, certificate fees, fines, etc.	\$16,043 68	
Lodge supplies and bulletins.....	1,148 54	
Interest on bank deposits.....	143 68	
Transferred from benefit fund, representing interest on bank deposits.....	2,537 48	
Total income		\$19,873 38
Total		\$22,543 61

Disbursements

Total expenses of management.....	16,390 47	
Balance October 31, 1913.....	\$6,153 14	

Recapitulation of Fund Balances October 31, 1913

Benefit	\$582,898 21	
Expense	6,153 14	
Total ledger assets.....	\$589,051 35	

Organization and Plans

This organization was incorporated as a fraternal beneficiary society in September, 1881, and commenced business on October 12th of the same year. It accepts as members males of the Roman Catholic faith exclusively, between the ages of sixteen and fifty-five. The society is composed of the supreme council, state councils and subordinate councils. State councils may be instituted in states, territories, districts or counties where five or more subordinate councils are in good standing with a total membership of not less than 250. They enact laws for their own government, subject to the approval of the supreme council; establish subordinate councils; enact laws for the government thereof, within their respective jurisdictions, in conformity with the constitution, laws and usages of the supreme council, and have general supervision of the society, within their respective jurisdictions, but they have no control of the benefit fund.

Subordinate councils may be organized and exist independently of a State council, in which case they are in all respects directly under the supervision of the supreme council. Members are required to join the society through the subordinate councils, but should a council disband the members thereof may join some other council, or become members at large and pay their assessments direct to the supreme body.

There were 5 State councils and 354 subordinate councils in good standing on date of this examination, with a total membership of approximately 15,644.

Certificates

The society issues but one form of certificate in amounts, at the present time, ranging from \$250 to \$3,000. Prior to July 1, 1901, certificates for \$4,000 and \$5,000 were also issued, of which some are still in force.

All certificates provide for the payment of the face amount thereof in the event of death, and for one-half such amount, as a permanent disability benefit, under the following conditions:

The member must have reached the age of expectancy, as determined by a specified table; he must be permanently disabled from attending to his business and gaining a livelihood; he must be destitute of the means of support.

The remaining half of the certificate after such disability benefit has been paid may be continued in force and paid upon the death of the member, in consideration of the payment of the regular assessments. Any outstanding liens against the certificates are deducted from the amount of the disability benefit.

Rates

The assessment rates of this society for the benefit funds were largely increased in September, 1904. It was clearly shown at that time that a general readjustment was absolutely necessary if the society was to continue in business. The new rates adopted were computed by a well known actuary and are based upon the experience of the society from its organization in 1881 until the time of readjustment. I find that they are higher than those computed on the National Fraternal Congress Table of Mortality with 4 per cent. interest assumption.

When the said readjustment took place members were allowed the choice of two options in the payment of the new assessment rates, as follows:

1. They could continue to pay the new rate at age of entry, by having charged against the certificate the amount of reserve which, according to the table, would have been accumulated had the new rate been in effect from the beginning.

2. They could pay the new rate at attained age as of July 1, 1904.

Members choosing the latter option could, in lieu of paying the full assessments in cash, have half charged against the certificate as a lien and pay the other half in cash. This privilege was discontinued in September, 1908, since which time all members have paid their full assessments in cash. All liens, whether on account of the first or second option, draw interest at 4 per cent., which is collected with the assessments levied.

Reserves

It appears that when the said readjustment took place a contract was entered into with the members to accumulate and maintain the necessary reserve to continue the certificates in force, by virtue of the following section, which was added to the constitution and laws of the society:

"Sec. 5. A reserve shall be accumulated and maintained upon the following basis, viz: for each certificate in force on July 1st, 1904, the net ultimate reserve thereon by the Catholic Benevolent Legion Experience Table and interest at 4% per annum; and for each certificate thereon issued the net select and ultimate reserve thereon by the said table and interest at 4% per annum. Such reserves shall be sufficient by the aforesaid standards, together with the ultimate net premiums, fixed by the ages on July 1st, 1904, for members on that date, if under age 70, and by age 70 if age 70 or over, and fixed by ages last birthday upon admission for members admitted after July 1st, 1904, to keep these rates level throughout life and to assure the payment of all benefits. Each member must maintain to his credit a net balance at least equal to the reserve upon his certificate; any deficiency shall be a lien upon a member's insurance, accumulating at 4% interest, compounded annually, until the same is made good."

The reserve liability under this provision of the by-laws should therefore be calculated and entered in the statement of liabilities, thus showing the true condition of the society upon this examina-

tion. However, to ascertain the same at this time would consume so much time and prove so expensive to the society that I have, in view of the fact that the society's actuary has computed the said liability on all outstanding certificates as of December 31, 1912, and filed a report thereof with this department in accordance with law; and also in view of the fact that such computation will again be required as of December 31, 1913, considered that an exhibit herein of the condition of the society, with respect to the total assets and liabilities as of December 31, 1912, would be sufficient to reflect, at least, the approximate condition at this time.

I find that the total assets actually collected on the date last above mentioned, including the value of said liens, was \$856,771.47, while the reserve shown by the report of the society's actuary, based on the National Fraternal Congress Table of Mortality, is given as \$1,484,097. The losses unpaid on said date amounted to \$40,500. It is, therefore, apparent that the society, on December 31, 1912, had total assets on hand amounting to approximately 56 per cent. of the total liabilities, including the said reserve.

The reserve liability computed by the actuary on the basis of the table of mortality adopted by the society in readjusting its rates, is given as \$2,643,771. On this standard it held assets amounting to about 32 per cent. of the total outstanding liabilities, including reserve.

This condition is due partly to the fact that at the time the readjustment in rates was made there was liability for accrued claims amounting to about \$183,000, and this has been liquidated by the reserves collected from the members since, which would otherwise have been set aside to the credit of the certificates still outstanding. Moreover, the mortality experienced since readjustment has been tremendously heavy due to adverse selection by reason of the heavy loss of members at that time.

Funds

The Legion maintains three separate funds, viz: benefit, general and legion maintenance and extension. The benefit fund is used for the payment of claims, and the general fund for ex-

penses. The original purpose of the maintenance and extension fund was, as its name implies, the general upbuilding of the society. Its only income is a semi-annual payment by members of sixteen cents per thousand of insurance in force, and interest on checking account. The general fund having proved inadequate for the payment of running expenses, the maintenance and extension fund is now used for that purpose. As there is now no distinction between the uses of these two funds, they have been combined for the purposes of this report under the heading of "Expense Fund."

With the exception of that portion required for the payment of current claims, the benefit fund is kept invested in registered bonds.

Per Capita Tax, Fees, Etc.

The per capita tax is 60 cents per year, payable semi-annually. For a new certificate the member must pay \$1, and for a changed one, 50 cents.

Members at large pay \$4 yearly dues and no per capita tax. At the time of becoming members at large they must pay \$1 each for a card which entitles the holder to visit any subordinate council.

Expense of Management

The ratio of expense of management to income from members of the society is comparatively low. I find the same to be approximately 3 per cent. for the period of this examination and the same for the year 1912. This condition merits strong commendation.

Salaries

The following annual salaries are paid officers:

Richard B. Tippet, President.....	\$2,000 00
John D. Carroll, Treasurer.....	2,000 00
John E. Dunn, Secretary.....	2,000 00

The members of the finance and law committees each receive \$5 per day, while such boards are in session.

SUPREME COUNCIL OF THE CATHOLIC MUTUAL BENEFIT ASSOCIATION

HORNELL, N. Y.

Examined to ascertain condition December 31, 1912.

Report dated June 11, 1913.

Examiners: J. L. Train and Clarence J. Norton.

Financial Condition

A statement of the income and disbursements for the year ending December 31, 1912, and the assets and liabilities on said date is as follows:

Balance ledger assets December 31, 1911, as per association's records \$2,207,412 91

Income

Assessments, fees, dues and per capita tax....	\$1,405,601 51
Membership fees	33 00
Dues and per capita tax.....	18,780 25

\$1,424,414 76

Deduct payments returned to applicants and members	230 40
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Net amount received from members.....	\$1,424,184 36
Interest from all sources.....	97,143 26
Rent	281 50
Sale of lodge supplies.....	3,583 65
Official bulletin	14,839 80
Miscellaneous	1,362 78

Total income 1,541,395 35

Total \$3,748,808 26

Disbursements

Death claims	\$1,552,840 37
Organizing expenses	6,943 42
Salaries of officers.....	7,900 00
Salaries of office employees.....	3,855 21
Traveling and other expenses of officers, trustees and committees.....	1,786 57

Official bulletin	\$8,461 43
Expense of supreme lodge convention.....	4,158 94
Legal expenses	757 52
Management and miscellaneous.....	5,601 64
Accrued interest on bonds (\$83.25) and mort- gages (\$186.25) purchased	269 50
Balances in defunct bank charged off.....	1,267 07
Decrease by adjustment in book value of bonds from cost value to par.....	1,256 10

Total disbursements	\$1,595,097 77
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Balance December 31, 1912.....	\$2,153,710 49
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Ledger Assets

Book value of real estate.....	\$7,931 03
Mortgage loans on real estate, first liens.....	1,034,342 00
Book value of bonds.....	907,110 00
Deposited in banks and trust companies on interest	203,140 80
Cash with treasurer and deposited in bank....	1,186 66

Total ledger assets.....	\$2,153,710 49
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Non-Ledger Assets

Interest due (\$473.50) and accrued (\$8,045.98) on mortgage loans.....	\$8,519 48
Interest accrued on bonds.....	12,634 16
Interest accrued on bank balances.....	276 19
Market value of bonds over book value.....	10,754 90
Assessments actually collected by subordinate branches, not yet turned over to supreme lodge	116,716 97
Dues for per capita tax, supplies, etc.....	16,425 97

Total non-ledger assets.....	165,327 67
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Gross assets	\$2,319,038 16
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Liabilities

Death claims	\$235,363 55
Salaries, expenses, commissions, etc.....	821 69

Total liabilities	236,185 24
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Balance December 31, 1912.....	\$2,082,852 92
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Assets

The constitution and by-laws provide that the supreme and grand councils shall be the custodians of the reserve fund accumulating in their respective jurisdictions. In holding such

assets the trustees of the grand councils act as trustees of the supreme council. In those states which are not organized into grand councils the local branches remit their assessments directly to the supreme council and the latter retains control of all investments made therefrom.

On December 31, 1912, the assets in the reserve fund were distributed as follows:

In New York Grand Council:		
Mortgages on real estate.....	\$677,242 00	
Bonds	300,805 00	
Real estate owned.....	6,636 29	
Cash in banks.....	44,216 63	
		\$1,028,899 92
In Pennsylvania Grand Council:		
Mortgages on real estate.....	\$95,600 00	
Bonds	373,200 00	
Real estate owned.....	1,294 74	
Cash in banks.....	34,614 03	
		504,708 77
In Michigan Grand Council:		
Mortgages on real estate.....	\$103,300 00	
Bonds	112,500 00	
Cash in banks.....	63,217 00	
		279,017 00
In Ohio Grand Council:		
Mortgages on real estate.....	\$119,400 00	
Bonds	85,605 00	
Cash in banks.....	19,738 47	
		224,743 47
In Kansas Grand Council:		
Mortgages on real estate.....	\$28,800 00	
Cash in banks.....	5,160 71	
		33,960 71
In Quebec Grand Council:		
Bonds	\$10,000 00	
Cash in banks.....	16,332 03	
		26,332 03
In Massachusetts Grand Council:		
Mortgages on real estate.....	\$10,000 00	
Cash in banks.....	3,098 65	
		13,098 65
In Supreme Council:		
Bonds	\$25,000 00	
Cash in banks.....	16,763 28	
		41,763 28
Total		\$2,152,523 83

During the course of this examination we examined and verified the assets held by the grand councils of the following states: New York, Pennsylvania, Ohio, Michigan and Kansas and also those held by the supreme council. We obtained from the secretaries of the Massachusetts and Quebec grand councils affidavits verifying the correctness of the statements made by such councils to the supreme council, and included in the reports made to the various insurance departments.

Real Estate

The association owns five parcels of real estate located in the states of New York and Pennsylvania, acquired through mortgage foreclosure of property on which it had made loans. The cost of this property aggregates the sum of \$7,931.03. During the year 1912, the association received the sum of \$286.12 as gross rental for this property and expended thereon the sum of \$155.74.

An appraisal of the real estate made by the association shows the total market value as \$12,200. As the net income during the said year from such property amounted to only \$130.38 it is obvious that it is not a very profitable investment. We would therefore recommend that this property be sold as soon as practicable. Under the circumstances we have allowed no credit for the appraised value, above shown, over the cost value in the statement of this report.

Mortgage Loans

The association has loaned \$1,034,342, secured by 161 mortgages on real estate located within the jurisdiction of the several grand councils. In 1909 this Department made appraisals and examined the titles of sixteen of the properties still held. The recommendations made at that time as to the reduction of certain of the loans have been followed by the management. None of the other properties has been examined or the title examined.

Bonds

The bonds owned were counted and examined. The market value thereof was taken from value adopted by the National Convention of Insurance Commissioners. We have carried as a

non-ledger asset the sum of \$10,754.90, being the market value of bonds over book value. Under its system of accounting, the association adjusts the book value of its bonds to agree with the par value thereof. It is suggested that in those states when the grand councils do not require all bonds to be registered, they be safeguarded to the extent at least that access thereto cannot be had unless two trustees are present.

Liabilities

Death Claims:

In its annual statement to the Department the association reported as the total unpaid death claims \$208,863.55. We have increased such liability by \$26,500, consisting of notices of deaths occurring prior to December 31, 1912, but not received by the supreme council until after it had prepared its statements to the Insurance Departments. The association pays its adjusted death claims before they are due. The resisted claims are contested mainly for the following reasons:

- (1) Suspension of the member;
- (2) The claim that the assured was over 50 years of age when admitted.
- (3) Suicide, and
- (4) Intoxication.

There is no doubt that if a member is admitted who is over the insurable age permitted by the by-laws, his beneficiary has no valid claim against the association, if such member represented himself to be within the age limitation. We believe, however, that in such cases the association should return, or offer to return to the beneficiary the amount of the assessments paid in by such member, on the ground that at no time did it assume any liability under the contract.

Statement of Funds

General Fund:

Each member upon initiation pays a fee of fifty cents, and all members are required to pay a yearly per capita tax of seventy-five cents to the grand council, if the branch in which they are affiliated is under the supervision of such body.

The grand councils pay to the supreme council 40 per cent. of the per capita tax received by them, and retain the balance of such funds, paying therefrom their own expenses, including salaries of officers, organization and convention expenses. No accounting of such moneys is required to be made to the supreme council.

In addition to the 40 per cent. per capita tax received from the grand councils, the supreme council receives the initiation fee and per capita tax of the members in the scattered branches of the states where no grand council has been organized. It also receives as a source of revenue to this fund approximately six cents per member for the official publication, and also the profit on the sale of office supplies, interest on the general fund bank balances and reinstatement fees.

The supreme council pays from the funds in its hands the salaries of its officers and employees, office rent, supreme council convention expenses, office expenses and also, under authority from the supreme trustees, reimburse the grand councils for part of their organization expenses.

A statement of the general fund for the year ending December 31, 1912, is as follows:

Balance December 31, 1911.....	\$1,768 49
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Income

Miscellaneous items	38,518 51
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Total	<u>\$40,287 00</u>
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Disbursements

Expenses of management.....	39,308 99
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Balance December 31, 1912.....	<u>\$978 01</u>
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Beneficiary Fund

This fund is maintained by 90 per cent. of the regular periodical contributions of members, and is available immediately for the payment of death claims.

A statement of this fund for the year ending December 31, 1912, is as follows:

Balance December 31, 1911.....	\$19,306 43
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Income

Assessments.....	\$1,267,145 17
Transferred from reserve fund.....	268,770 40
Conscience money	57 42

Total income	1,535,972 99
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Total	\$1,555,279 42
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Disbursements

Death claims	1,555,070 77
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Balance December 31, 1912.....	\$208 65
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Reserve Fund

Ten per cent. of the total of each and every monthly beneficiary payment collected from the members of this association is credited to the reserve fund account and placed in the control of either the grand council trustees or the supreme council trustees, as explained more fully in a later paragraph on organization and government. The interest on all investments of this fund is also an additional source of revenue.

This fund can be used only for the payment of death claims, and can be drawn on subject to the call of the supreme president and supreme recorder whenever the balance in the beneficiary fund falls below \$50,000.

The following transfers have been made from the reserve to the beneficiary fund:

<i>Year</i>	<i>Amount</i>
1904	\$154,500 00
1909	100,000 00
1910	200,000 00
1911	200,000 00
1912	268,770 40

The 1912 call was for \$300,000, the amount stated above being paid by the grand councils prior to December 31, 1912.

The proportion of the total amount of each call to be paid by each of the grand councils is based upon the amount of the reserve fund assets held by each jurisdiction.

A statement of the reserve fund for the year ending December 31, 1912, is as follows:

Balance December 31, 1911..... \$2, 186, 337 99

Income

Assessments, 10 %	\$140, 556 34
Interest	97, 062 19
Miscellaneous	286 12

Total income	237, 904 65
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Total	\$2, 424, 242 64
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Disbursements

Transferred to beneficiary fund.....	\$268, 770 40
Taxes, repairs and other expenses.....	155 74
Interest on bonds and mortgages purchased...	269 50
Balances in defunct bank charged off.....	1, 267 07
Adjustment of book value of bonds to par.....	1, 256 10

Total disbursements	271, 718 81
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Balance December 31, 1912.....	\$2, 152, 523 83
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Organization and Government

Under section 2 of the act incorporating this association, the supreme council was given power to institute and control such grand councils and branches as it sees fit to establish.

Section 157 of the by-laws provides that each grand council shall have jurisdiction over all branches located within the territory under its supervision.

The Grand Council of the State of New York was organized in 1876, and was at that time the only council of the association, the supreme council not being organized until the convention of 1879. Since the association was incorporated, in addition to the New York Grand Council, the following grand councils have been instituted, viz.: Pennsylvania, Michigan and Canada, 1879; Ohio, 1887; Quebec, 1893; Kansas, 1896; Massachusetts, 1900.

In 1892, on the adoption in the Province of Ontario, Canada, of the "Insurance act of the Ontario Parliament," the Canadian Grand Council being able to qualify under said act, obtained registration as a "Friendly Society" of said province and with its 5,100 members withdrew from this association.

Each of the grand councils has its own officers and their relation to the supreme council is analogous to the relation of each

state in the United States to the Federal Government. As the names of the grand councils imply, each has jurisdiction over the branches located within one state or province.

All assessments and dues are paid by the branches to the grand council, respectively, and all organization work within such states is under the direct charge of such councils.

Section 116 of the by-laws provides that the grand council trustees shall have control over the funds and property of their particular districts and are authorized to invest the same as the council may direct, except as to the reserve fund. Concerning the latter, section 17 of the by-laws provides as follows:

"The acting trustees of the Supreme or Grand Councils, except the Supreme or Grand President, the Supreme Recorder and Grand Secretaries and their successors in office, shall be and they are hereby declared to be the Trustees of the Supreme Council of the Catholic Mutual Benefit Association for the management of the Reserve Fund in their respective jurisdictions."

Except the reserve fund, none of the funds to the credit of the grand councils is subject to the control or call of the supreme council. Whenever the beneficiary fund of the supreme council falls below \$50,000, upon the call of the supreme president and supreme recorder, the trustees of the reserve fund are required to appropriate therefrom whatever is necessary to meet death claims. At the time the association commenced to accumulate a reserve fund, some of the members believed it would be for the best interest of the association for the branches to keep within their own control their proportion of such fund. However, the convention adopted the plan of having it under the control of the grand councils, subject to call in certain contingencies by the officers of the supreme council.

The supreme council holds triennial conventions in the month of October. This convention is composed of the supreme officers and three (3) representatives from each grand council who are elected by the officers of the latter, and the delegates of the branches, each branch being entitled to one representative. Grand councils having a membership of 5,000 or over are entitled to three (3) additional representatives.

Rates and Assessments

From 1876, the date the association was organized, to March, 1881, each member, irrespective of age, paid \$1.10 for each death, of which \$1 was paid to the beneficiary, the total benefit not to exceed the sum of \$2,000. In March, 1881, the supreme council at its convention adopted the following schedule of rates per death for each \$2,000 certificates.

<i>Ages</i>	<i>Rate</i>	<i>Ages</i>	<i>Rate</i>
18-24	\$0 65	35-39	1 25
25-29	0 80	40-44	1 40
30-34	1 00	45-49	1 85

In 1882, these rates were again changed as follows:

<i>Ages</i>	<i>Rate</i>	<i>Ages</i>	<i>Rate</i>
21-24	\$1 00	35-39	1 30
25-29	1 10	40-44	1 45
30-34	1 20	45-49	1 65

It will be seen that this change decreased the rate of assessment on the older members and increased the rate on the younger ones. These assessments were levied monthly on the members, but in some months more than one call would be made.

In the years from 1880 to 1903, more than twelve single assessments were called. The number of calls in 1892, 1893 and 1894, was 19; in 1895-1896, 20; 1897-1898, 19; 1899-1900, 21; 1901, 23; 1902-1903, 24.

At the regular convention of the supreme council held in October, 1903, a radical change was made in the assessment rates. The rates adopted at this convention are approximately ten (10%) per cent. higher than the net level premium on the National Fraternal Congress table of rates, with interest at four (4%) per cent. A table showing a comparison of the rates adopted by the said convention with the National Fraternal Congress rates at the various ages for each \$1,000 certificate is attached to this report.

We find the rates were applied at the age of entry and not at attained age; so the old members not only paid inadequate rates prior to 1903, but are now receiving their insurance at less than its actual cost. The rates adopted are adequate for all members

initiated after January, 1904, at which time they became effective.

The association writes certificates in amounts of \$500, \$1,000, \$1,500 and \$2,000.

The by-laws prescribe that if members are engaged in certain specific occupations classed as hazardous, the rate of assessment shall be 20 per cent. higher than the regular assessment rate.

Applicants are rejected who are engaged in various occupations classed as extra hazardous, but if members change their occupation to such occupations, after their initiation, they are permitted to hold their membership, provided they pay assessments of 50 per cent. in addition to the ordinary rate.

On July 1, 1912, the number of members whose certificates were still in force, who had joined prior to January 1, 1904, was 43,825 and the amount of insurance \$64,631,000, the average certificate being \$1,475. The number of members admitted since January 1, 1904, and whose certificates were in force on July 1, 1912, is 17,045 and the amount of insurance \$16,580,000, the average certificate being \$970. A valuation of the certificates in force has been made by Actuary Abb Landis and such valuation reported to the Superintendent of Insurance, in accordance with the requirements of section 242 of the Insurance Law.

The following table shows the assessment income, the interest received on the beneficiary and reserve funds, and the death-claims paid, for the years 1903 to 1912, inclusive, and in addition the balance in the reserve fund on December 31st of each year:

Year	Assessments	Interest	Total income	Death claims paid	Receipts over disbursements	Reserve fund balance
1903	\$1,278,063 99	\$37,468 66	\$1,315,532 65	*\$1,152,833 34	\$162,699 31	\$1,143,185 47
1904	1,518,589 43	42,299 03	1,560,888 46	1,520,639 67	40,248 79	1,183,112 66
1905	1,512,699 99	48,343 02	1,561,043 01	1,316,895 00	244,148 01	1,379,281 54
1906	1,493,625 57	58,575 30	1,552,200 87	1,274,002 39	278,198 49	1,581,970 81
1907	1,478,696 31	67,492 76	1,546,189 07	1,389,770 75	156,418 32	1,790,138 72
1908	1,467,405 28	78,944 02	1,546,349 30	1,297,033 33	249,315 97	1,999,132 21
1909	1,459,379 83	84,543 76	1,543,923 59	1,441,117 51	102,906 08	2,125,116 49
1910	1,442,311 38	87,254 15	1,529,565 53	1,532,729 24	-3,163 71	2,154,075 35
1911	1,425,692 05	94,151 69	1,519,843 74	1,488,060 83	31,782 91	2,186,337 99
1912	1,406,371 11	97,062 19	1,502,433 30	1,552,840 37	-50,407 07	2,152,523 83
Totals.	\$14,481,834 94	\$696,134 58	\$15,177,969 52	\$13,965,722 42	.....	.....

* The total unpaid claims on December 31, 1903, amounted to \$253,166.66.

The foregoing table when analyzed will show to a large extent the financial history of the association as to assessments collected and the disbursements made therefrom for death claims. It will be seen that in 1903, prior to the adoption of the present table of rates, the assessments collected, plus interest, amounted to \$1,315,532.65 and the death claims paid, to \$1,152,833.34. At the end of said year, there were unpaid claims amounting to \$253,166.66. It will be seen therefore, that the assessment income was insufficient to pay the total death claims. In 1904, on account of the increased rates, the income amounted to \$1,560,888.46, despite the fact that during the year the number of members in good standing had decreased by 3,931. From 1904 to 1912, the table shows a consistent decrease in the total amount of income received from assessments and interest, although the membership had increased to some extent. This is accounted for by the fact that practically all the certificates of members prior to 1904 were \$2,000, while the members initiated after 1904 have average certificates in force of about \$970.

It will be further noted that the amount of death claims paid has increased year by year, the death claims paid in 1903 amounting to \$1,152,833.34, while in 1912, the total amount was \$1,552,840.37.

A study of column 6 will show that under its rates of assessment, the association was able yearly to increase its reserve fund, the amount of such fund in 1903 being \$1,143,845.47 and in 1911, \$2,186,337.99. The first year during which the association was unable to add to this fund was the year 1912, the decrease during the year being \$33,814.16. It is believed that a study of the above table will show the necessity of creating a scientific reserve, based on rates which are adequate to carry a risk through life without increase.

Concerning the increase of rates, an important decision has been rendered by the Court of Appeals of this State in the case of *Dowdall v. Catholic Mutual Benefit Association* reported in 196 New York, page 405. The plaintiff became a member of this association in 1879 and at the time the assessments were increased in 1904 claimed that under the constitution and by-

laws, in effect at the time he was admitted, the Association could not increase his rate of assessment. The court held that the plaintiff was bound only by the laws, rules and requirements in force at the time he was admitted to membership and that any amendments thereafter made affecting his certificate was in violation of rights vested by contract and, therefore, the plaintiff was not required to pay the increased rate of assessment.

Mr. Dowdall has the distinction of being the only member of the association not paying the rates which took effect January 1, 1904. He is, of course, paying a grossly inadequate rate for his insurance.

Membership.

Section 34 of the by-laws provides that all members of the association must be practical Roman Catholics. Members must be of the male sex and over 16 and under 50 years of age at entry.

The association is doing business in nineteen states and the Province of Quebec, Canada. The following table will show the number of branches, the number of members and the amount of insurance in force in the various jurisdictions on December 31, 1912:

<i>Council</i>	<i>Number of branches</i>	<i>Number of members</i>	<i>Amount of Insurance</i>
New York	367	26,882	\$37,678,500 00
Pennsylvania	213	16,101	20,744,000 00
Michigan	85	6,825	9,364,500 00
Ohio	103	7,851	9,254,000 00
Kansas	23	1,282	1,520,500 00
Quebec	11	576	899,000 00
Massachusetts	14	469	529,000 00
Supreme Branches	44	1,361	1,701,500 00
Totals	760	61,167	\$81,691,500 00

The average age of the members on said date was forty-three (43) years. The number of members and the amount of insurance in force in various years is shown as follows:

<i>Year</i>	<i>Number of Members</i>	<i>Amount of Insurance</i>
1884	9,000	
1886	13,191	
1888	19,454	
1890	29,071	
1892	38,341	\$69,319,000 00
1896	40,150	68,989,500 00
1900	51,416	81,942,500 00
1903	61,546	90,116,000 00
1904	57,615	83,783,500 00
1908	59,561	82,588,500 00
1911	60,538	81,642,000 00
1912	61,167	81,691,500 00

Supreme Officers

The officers of the Association with their annual salaries are

John J. Hynes, Supreme President, Buffalo, N. Y.	\$2,500 00
M. A. Carmody, Supreme First Vice-President, Pittsburg, Pa.	
William Sill, Supreme Second Vice-President.	
Joseph Cameron, Supreme Recorder, Hornell, N. Y.	3,000 00
William Muench, Supreme Treasurer, Syracuse, N. Y.	900 00
J. T. Keena, Supreme Legal Adviser, Detroit, Mich.	1,500 00
Dr. C. C. Clancy, Supreme Medical Examiner, Port Huron, Mich	Fees

The officers of the supreme council are bonded by a surety company in the following amounts: President, \$1,000; Recorder, \$15,000; Treasurer, \$40,000; Trustees, \$1,000 each.

All disbursements are first authorized by an order drawn by the supreme recorder upon the supreme treasurer, and all checks on the funds are signed jointly by the supreme president, supreme recorder and supreme treasurer.

All of the officers and trustees of the grand councils are bonded by surety companies as are also the financial officers of the local branches.

CATHOLIC WOMEN'S BENEVOLENT LEGION

NEW YORK CITY

Examined to ascertain condition November 29, 1913.

Report dated January 2, 1914.

Examiners: Clarence J. Norton and J. F. Tucker.

Ledger Assets

Book value of real estate.	\$8,500 00
Book value of bonds.	56,876 27

Mortgage loans	\$203,000 00	
Cash in banks.....	78,705 85	
Total ledger assets.....		\$347,082 12
<i>Non-Ledger Assets</i>		
Interest accrued	\$3,381 07	
Assessments in process of collection by sub- ordinate councils, not yet turned over to Supreme council	17,812 65	
Total non-ledger assets.....		21,193 72
Gross assets		\$368,275 84
<i>Assets Not Admitted</i>		
Book value of bonds over market value.....	7,526 27	
Total admitted assets.....		\$360,749 57
<i>Liabilities</i>		
Death claims (Total liabilities).....	23,250 00	
Balance		\$337,499 57

The income and disbursements for the eleven months ending November 29, 1913, were as follows:

<i>Income</i>		
Assessments	\$188,508 75	
Per capita tax.....	11,637 18	
Certificate fees	615 75	
One cent tax.....	1,880 48	
Sale of supplies.....	575 74	
Bulletin	1,958 28	
Reinstatement fines	45 00	
Sundries	28 15	
Total income from members.....	\$205,249 33	
Interest	9,867 75	
Profit on sale of real estate.....	6,750 00	
Rentals from real estate.....	201 49	
Total income		\$222,068 57
Ledger assets December 31, 1912.....		290,108 43
Total		\$512,177 00

Disbursements

Death claims	\$150,911 64	
Disability claims	500 00	
Total payments to members.....	\$151,411 64	
Salaries of officers.....	3,299 98	
Salaries of office employees.....	2,753 87	
Commissions and fees to deputies and organ- izers	1,098 94	
Traveling and other expenses of officers, trus- tees and committees.....	1,772 55	
Insurance department licenses and fees.....	45 00	
Management and miscellaneous.....	2,509 17	
Bulletin	1,733 46	
Legal expense	229 50	
Taxes and expenses on real estate.....	240 77	
Total disbursements	\$165,094 88	
Balance ledger assets November 29, 1913.....	\$347,082 12	

ASSETS*Real Estate*

The society owns, at the present time, but one parcel of real estate. This was acquired in 1912 through foreclosure proceedings. The amount of the mortgage was \$8,500 at which figure the property is now carried. Negotiations for the sale thereof are now pending, and the management is confident that a substantial amount in excess of the present book value will be obtained. For this reason we would not advise a department appraisal of this property at this time. We have carried the value thereof in this report at the same figure as carried by the society.

Mortgage Loans

With a few minor exceptions, all papers pertaining to mortgage loans were found in order. The exceptions were called to the notice of the management, who assured your examiners that they would receive immediate attention. Steps are being taken by this Department to have the real estate mortgaged to the society appraised, and a separate report will be made thereon by the appraiser.

Bank Deposits

With the exception of the general fund balance, all bank deposits draw interest. The bank balances were verified by certificates obtained from the several banking institutions, such certificates being reconciled with the records of the society.

Sale of Real Estate

In 1912 the legion sold its home office building, located at 153 East 44th street, New York City, for the sum of \$30,000. This transaction resulted in a profit of \$7,750, of which \$1,000 was received in 1912 and carried in the annual statement for that year, and the balance, \$6,750, was received this year and is therefore entered in the statement of this report.

FUNDS

Three separate funds are maintained by the legion. The general fund is used for the payment of expenses, the benefit fund for the payment of death and disability claims, and the benefit surplus fund as a reserve.

General Fund

In addition to the per capita tax of 72 cents per year, a tax of one cent per month is levied upon each member. A fee of one dollar for each new certificate and of fifty cents for each change of certificate is also collected. Subordinate councils suspended for non-payment of assessments are required to pay a fine of five dollars upon reinstatement. An annual subscription fee of twenty-five cents per member is collected for the official publication or monthly bulletin. This entire income is turned into the general fund and used for the payment of expenses of management.

The income and disbursements of this fund for the eleven months ending November 29, 1913, were as follows:

Income

Per capita tax.....	\$11,637 18
One cent tax.....	1,880 48
Certificate fees	615 75
Sale of supplies.....	575 74

Bulletin	\$1,958 28	
Reinstatement fines	45 00	
Sundries	28 15	
Total income		\$16,740 58
Balance December 31, 1912.....		1,445 99
Total		\$18,186 57

Disbursements

Total expenses of management.....	13,442 47	
Balance November 29, 1913.....	\$4,744 10	

Benefit Fund

Ninety per cent. of the assessments are credited to this fund from which all claims are paid.

The income and disbursements of this fund for the eleven months ending November 29, 1913, were as follows:

Income

Assessments	\$169,643 24	
Interest on bank balances.....	149 93	
Total income		\$169,793 17
Balance December 31, 1912.....		9,114 35
Total		\$178,907 52

Disbursements

Death claims	\$150,911 64	
Disability claims	500 00	
Total disbursements		151,411 64
Balance November 29, 1913.....		\$27,495 88

Benefit Surplus Fund

Ten per cent. of the assessments are credited to this fund; also the net income from investments and the interest on the fund's bank deposits.

The income and disbursements of this fund for the eleven months ending November 29, 1913, were as follows:

Income

Assessments	\$18,865 51	
Interest	9,717 82	
Profit on sale of real estate.....	6,750 00	
Rentals from real estate.....	201 49	
Total income		\$35,534 82
Balance December 31, 1912.....		279,548 09
Total		\$315,082 91

Disbursements

Taxes and expenses on real estate.....	240 77	
Balance November 29, 1913.....		\$314,842 14

Recapitulation of Fund Balances November 29, 1913

General fund	\$4,744 10	
Benefit fund	27,495 88	
Benefit surplus fund.....	314,842 14	
Total ledger assets November 29, 1913.....		\$347,082 12

Rates

At the time of the last examination by this Department, early in 1909, the officers of the society, being convinced of the inadequacy of the rates then in force, had a new table of rates prepared. They were, however, unsuccessful in securing the adoption of such rates at the convention held in June, 1909; in fact, no change was made until January 1, 1913, when the rates now in use took effect. These rates are lower than those proposed in 1909, but we find that they are slightly higher than those adopted by the National Fraternal Congress with 4 per cent. interest assumption.

The mistake made by the society in the adoption of such rates was that the members were allowed to continue payments at the age at the time of admission to the society, instead of being brought up to attained age as of January 1, 1913. This mistake will probably prove embarrassing at some future time.

Assessments

Assessments are due and payable on the first of each month. The members have thirty days in which to pay each assessment to the local collector, who, in turn, is allowed five days after the

end of the month in which to remit to the Supreme Council. If the collector fails to remit within the time limit, the president and secretary of the subordinate council are immediately notified. Section 379 of the constitution reads in part as follows:

"If such assessment be not received by the Supreme Treasurer within five days after sending such notice, the Supreme Treasurer shall notify the Supreme President, who shall declare such Council suspended."

In defiance of these positive instructions, the president allows certain councils to become delinquent to the extent of three or more assessments before suspending them. The reason given for this leniency is that the new rates being decidedly higher than the old, the members find it exceedingly difficult to keep up their payments. It does not appear reasonable to assume that the members, not being able to pay the assessments as they fall due, will be able to pay them after having become several months in arrears. This practice is unfair to those members who pay their assessments promptly and should, we believe, be discontinued.

The payment of a death claim occurring in a council delinquent but not suspended is held up in the endeavor to force the payment of arrears, but we find no authority for so doing. It would appear that a council is in good standing until actually suspended by the supreme president.

Any member of a suspended council may protect herself by the payment, within thirty days, of the full amount due from her according to the books of the supreme treasurer. If her own council is not afterward reinstated she may be admitted to some other council or become a member at large.

Death Benefits

Certificates are now issued for \$250, \$500 and \$1,000. Prior to 1898 they were also issued for \$2,000 and some of these are still in force.

Provision is made for the payment of only one-fourth or one-half the face of the certificate, respectively, if death occurs within one and two years from date of issuance, provided such death is caused by certain specified diseases. But, in any event, only one-half the face of the certificate is paid if death occurs within the first year.

If a member understates her age at the time of admission to the society the constitution provides two plans of settlement in the event of death, as follows:

"Sec. 414 (8) (a) an amount equal to the amount of benefit which the rate paid by her would have procured at her actual age at admission, or

(b) the face of the certificate, less an amount equal to the difference between the rate paid by the member and the rate which should have been paid by her if her actual age at admission had been given; with compound interest thereon at the rate of four per cent; at the option of the Board of Directors."

As the amount provided by these two plans differs materially, the Board of Trustees is afforded the opportunity to discriminate in the payment of death claims. We are informed, however, that payments have always been made in accordance with plan "A."

Death claims are paid promptly upon receipt of satisfactory proofs of death and no claim appears to be contested without good and sufficient cause.

Disability Benefits

Certificates issued prior to October 1, 1909, provide for the payment of one-half the face amount thereof as a disability benefit, if the member has become permanently disabled from attending to her usual occupation so as to render her unable to gain a livelihood, and is in needy circumstances, provided such member has reached the age of expectancy in accordance with a specified table. Certificates issued since the above date do not contain this provision. We are informed that but one disability benefit has so far been paid.

Membership

The membership is limited to Roman Catholic women personally acceptable, of sound bodily health, between 17 and 50 years of age. The number of members at the date of this examination was about 16,815, carrying insurance in the approximate aggregate of \$11,280,000.

Officers and Salaries

The officers and salaries paid annually to each are as follows:

Ellen L. Loughlin, President.....	\$1,000
Sara E. Skelly, Secretary.....	1,300
Rose M. Calhoun, Treasurer.....	1,000
Teresa M. Blondell, Chairman Board of Trustees.....	300

The trustees and members of committees receive \$3 per day when actually in session.

The treasurer is bonded for \$10,000 and the other officers and trustees for \$1,000 and \$2,000 each, according to the provisions of the constitution.

UNITED STATES GRAND LODGE, INDEPENDENT
ORDER FREE SONS OF JUDAH

NEW YORK, N. Y.

Examined to ascertain condition June 30, 1913.

Report dated August 4, 1913.

Examiner: Clarence J. Norton.

Ledger Assets

Cash in banks on interest.....	\$54,366 24	
Cash in office.....	17 62	
Total ledger assets.....		\$54,383 86

Non-Ledger Assets

Interest accrued on bank deposits.....	\$664 95	
Assessments in process of collection or in hands of subordinate lodges, not over 30 days due	8,962 10	
Total non-ledger assets.....		9,627 05
Total assets		\$64,010 91

Liabilities

Death claims	\$36,500 00	
Headstone deposits	1,167 00	
Miscellaneous bills unpaid.....	100 00	
Borrowed money (present value).....	9,876 54	
Total liabilities		47,643 54
Balance of assets over liabilities.....		\$16,367 37

The following is a statement of income and disbursements from January 1, 1913, to June 30, 1913, inclusive:

Balance ledger assets December 31, 1912, as per order records.. \$56,322 06

Income

Assessments and per capita tax.....	\$63,364 33	
Certificate fees	199 00	
Initiation	320 90	
Headstone deposits	948 00	
Burial permits	147 50	
Reserved graves	812 00	
Miscellaneous	60 85	
Borrowed money	10,000 00	
Interest	687 65	
Unclaimed death benefits returned and credited to general fund	1,000 00	
Total income		77,540 23
Total		\$133,862 29

Disbursements

Death claims	\$65,115 00	
Dues paid for aged and infirm members.....	51 14	
Salaries of officers.....	1,700 00	
Legal expenses	538 47	
Management and miscellaneous expenses.....	1,694 06	
Interest on borrowed money.....	200 00	
Donation to grand master.....	1,000 00	
Convention expenses	795 05	
Organization of lodges.....	1,059 45	
Donations to lodges and members.....	1,048 50	
Picnic expenses	218 41	
Fairview Cemetery Company on a/c.....	5,026 80	
Cemetery expenses	366 55	
Headstone deposits returned.....	665 00	
Total disbursements		79,478 43
Balance ledger assets June 30, 1913.....		\$54,383 86

The following statements show the income and disbursements of the several funds of the society from January 1, 1913, to June 30, 1913, inclusive:

Mortuary Fund

Balance December 31, 1912.....	\$478 78
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Income

Assessments	\$51,420 47
Borrowed money	10,000 00

Total income	61,420 47
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Total	\$61,899 25
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Disbursements

Death claims	\$65,115 00
Legal expenses	538 47
Printing and interest.....	239 75

Total disbursements	65,893 22
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Deficit June 30, 1913.....	\$3,993 97
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Reserve Fund

Balance December 31, 1912.....	\$38,890 31
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Income

Assessments	4,990 81
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Balance June 30, 1913.....	\$43,881 12
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Propaganda Fund

Balance December 31, 1912.....	\$1,636 30
--------------------------------	------------

Income

Assessments	999 62
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\$2,635 92

Disbursements

Organization of lodges.....	\$1,059 45
Prizes	115 18

Total disbursements	1,174 63
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Balance June 30, 1913.....	\$1,461 29
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Relief Fund

Balance December 31, 1912.....	\$2,414 14
--------------------------------	------------

Income

Picnic	380 50
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Total	\$2,794 64
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Disbursements

Donations	\$1,048 50	
Picnic expenses	218 41	
Total disbursements		\$1,266 91
Balance June 30, 1913.....		\$1,527 73

Cemetery Fund

Balance December 31, 1912.....		\$7,491 67
--------------------------------	--	------------

Income

Assessment tax	\$2,543 85	
Headstone deposits	948 00	
Burial permits	147 50	
Reserved and sold graves.....	812 00	
Total income		4,451 35
Total		\$11,943 02

Disbursements

Fairview Cemetery Company on contract.....	\$5,026 80	
Cemetery expenses	366 55	
Headstone deposits returned.....	665 00	
Total disbursements		6,058 35
Balance June 30, 1913.....		\$5,884 67

Aged and Infirm Fund

Balance December 31, 1912.....		\$4,485 57
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Income

Interest		687 65
Total		\$5,173 22

Disbursements

Dues paid for aged and infirm members.....		51 14
Balance June 30, 1913.....		\$5,122 08

General Fund

Balance December 31, 1912.....		\$925 29
--------------------------------	--	----------

Income

Per capita tax.....	\$3,029 08	
Certificates	199 00	
Initiation fee	320 90	
Unclaimed death benefits.....	1,000 00	
Miscellaneous	60 85	
Total income		\$4,609 83
Total		\$5,535 12

Disbursements

Expenses of management.....	5,034 18	
Balance June 30, 1913.....		\$500 94

Recapitulation of Balances of Funds June 30, 1913

Reserve	\$43,881 12	
Propaganda	1,461 29	
Relief	1,527 73	
Cemetery	5,884 67	
Aged and infirm.....	5,122 08	
General	550 94	
Total	\$58,377 83	
Deduct mortuary fund over draft.....	3,993 97	
Total ledger assets.....		\$54,383 86

Organization and Membership

This order was incorporated on February 12, 1890, as a mutual benefit association, and reincorporated on March 21, 1894, as a fraternal beneficiary society, in accordance with the provisions of the Insurance Law of this State. It transacts business through the subordinate lodge system. Membership is restricted to persons of the Jewish faith between the ages of 18 and 44 inclusive.

The order now recognizes and treats both husband and wife as distinct members, having issued separate certificates to each person.

The only certificates issued are for death benefits of \$500 each. The total membership is approximately 21,965, representing insurance in force in the aggregate amount of \$10,982,500. The membership consists of 11,530 males and 10,435 females, classified as follows:

Members between the ages of 18 and 39 inc.....	14,144
Members 40 years of age and over.....	7,821

Convention

At the convention of delegates representing this order held in New York City April 6 and 7, 1913, a number of important changes were recommended and adopted. The most important of these are as follows:

(1) That a uniform monthly assessment rate to cover nineteen (19) deaths shall hereafter be levied, regardless of the number incurred.

(2) The consolidation of the first and second classes of members into one, thereby making, for the purpose of assessments, two classes instead of three, divided according to age, as shown above. This classification is in accordance with the attained ages in 1908, and the age at entry of those who have joined since.

(3) That unmarried daughters of members shall be entitled to be buried in the order's cemetery if they continue to live with their parents.

Cost of Insurance

If we assume that assessments for 19 deaths will be levied monthly at 1½ cents per death, on the first class, and 3 cents per death on the second class, the cost to carry \$500 of insurance per member annually in each class is as follows:

<i>Annual Assessments</i>	<i>First Class</i>	<i>Second Class</i>
Mortuary	\$3 42	\$6 84
Per capita and reserve.....	90	90
Cemetery	20	20
Totals	\$4 52	\$7 94

Assets

The assets of the order, consisting exclusively of deposits in banks, have been verified from certificates from the banks, reconciled with the order's records.

The unpaid assessments in the hands of subordinate lodges have been credited and entered at \$8,962.10, which represents the June assessment call still uncollected.

The interest accrued on bank deposits was taken from the bank books, the same having been entered on pass books subsequent to June 30, 1913, and represents interest declared by banks as of July 1, 1913.

Liabilities

Seventy-three (73) death claims reported, still unpaid, have been charged in the above statement of liabilities at \$500 each, making the aggregate amount \$36,500. Fifty-eight (58) of the above claims are included in lists sent out with the June and July calls, although the rate charged for such calls is to cover only 37 deaths. The balance of the said claims reported will, if approved, be included in the August call.

The liability for borrowed money, viz. \$9,876.54, represents the present value of a loan of \$10,000 made by the grand secretary, Sigmund Foder, in the month of June, 1913, at 6 per cent. interest. This transaction was made by order of the executive committee at a meeting held May 31, 1913, and was credited to the mortuary fund.

The item "headstone deposits" represents the aggregate amount held by the order as reductions from death benefits as security for the erection of suitable headstones at the graves of persons buried in the order's cemetery. Upon receipt of proof that such headstones have been erected, the deposit is returned; otherwise, after a certain period of time, the order erects the stone itself.

Liability for Cemetery Land Purchased

No liability is entered in the statement of this report for the balance due on cemetery land purchased. This item amounts to \$21,240 and certain accrued interest. On the other hand, no credit is allowed as an asset for any such land still vacant, which would be an offset against such liability. The order has paid a considerable sum on the purchase price of said land, and I have considered that the value of the unused portion would be sufficient to extinguish the debt in the event of the default of the order to pay the balance due.

Eighty-three (83) lodges contribute to the cemetery fund, representing 13,417 members.

Trust Fund for Minors

The order holds in trust for minors the sum of \$4,724.77 including interest credited July 1, 1913, deposited to their credit in various savings banks to be held until such time as they shall

reach the age of majority respectively, or there is a legal guardian appointed to receive the same. The payments representing such deposits have been charged off as disbursements for death claims, and do not appear as a separate item in the foregoing financial statement, either as an asset or liability.

Cash Income

The cash income from assessments of all kinds coming into the order from local lodges for a certain period was tested as to accuracy. No actual verification could be made for the reason that the Grand Lodge has not heretofore used a regular form of remittance blank showing the amount of each item of assessment received from the various lodges, nor does it even preserve the ordinary correspondence relative thereto. However, the moneys collected from the local lodges during the year 1912 were reported at the recent annual convention of the order in the secretary's report, the same showing the amounts received for each fund from each lodge. The aggregate amount thus shown was found to agree with the annual statement filed with the Department. Again, taking as a basis the number of members in certain lodges at random and computing the regular assessments levied on such lodges within a certain period of time, we find receipts therefrom to correspond with the assessment calls, taking into consideration slight differences which were reasonably explained.

In verifying the receipts of the cemetery fund, I found several instances where cash received to be credited to this fund was not entered in the cash book. The total of such items found amount to \$441.05. Another discrepancy, the result of which the order suffered to the extent of \$200, was also found. It seems that a disbursement for a death claim for \$500 was entered on the cash book, whereas only \$300 was paid to the beneficiary, the balance of the claim, viz: \$200, having been entered and paid sometime prior thereto.

Hence, the total cash unaccounted for, as found by this examination, amounts to the sum of \$641.05. This is offset by one item amounting to \$9.90, which appears to be an error in transposing figures while copying from one book to another. The grand secretary admits having received the cash making up the item above

mentioned and, before the close of this examination, has reimbursed the order for the full amount thereof, to wit: \$641.05, having decided not to take credit for the said item of \$9.90 at the present time. He states that there was no intention on his part to defraud the order, but that this condition is the fault of the system of bookkeeping in use.

In the opinion of your examiner, the fault lies not so much with the bookkeeping system as the manner in which the books and records are kept and the cash handled. If the management of this order expects to eliminate suspicion and escape criticism of the methods it employs, it must immediately take steps to change its manner of handling moneys placed in its care in connection with this most important trust.

The first step in this direction is for the grand secretary to keep all funds belonging to the order separate from his own. There is no reasonable excuse for errors being made such as were found, amounting in several instances to \$200, \$100, \$50 and \$25, and the same not being discovered, when, had the cash been properly safeguarded, the balance on hand would have been in excess of the amount called for by the cash book in case such items had, through mere inadvertence, been forgotten to be entered as cash receipts. It would then have been only a matter of time before the source of such income would have been discovered.

The books of the grand secretary are supposed to be audited once each month by the finance committee composed of six members, but this appears to be a mere farce insofar as any real audit is made. It seems that nothing is done, save to check over vouchers and see that the bank balances agree with the cash book. Little thought, if any, seems to be given to the question whether all the items of actual income are entered.

As a result of our investigation along this line, I deem it my duty to make the following recommendations:

- (1) That the Department request the grand master to appoint as soon as practicable, a special committee of two persons to make a thorough audit of the Cemetery Fund for a period of at least 12 years. These two persons should have the assistance of an accountant, merely to guide them in their work. In this way, the expense will not be great; that this committee shall make a report

of their findings to the grand master who shall file a copy thereof with this Department.

(2) That the grand secretary remove his private cash drawer from the office, to the end that there will be no occasion for the commingling of funds.

(3) That hereafter all remittances from local lodges shall be accompanied by a blank signed by the remitter showing amount of cash remitted for each fund, such blanks to be filed in proper order.

(4) That for all permits issued for burials in the order's cemetery, a stub shall be kept on which a full memorandum shall be noted, showing particularly what amount of cash was paid for the grave, if any, and if not, it be so indicated.

(5) That the finance committee hereafter, in connection with their other duties, audit the monthly remittance blanks of local lodges and also the grave permits issued for the previous month, to ascertain whether such accounts are kept accurately.

(6) That when trust funds of minors are paid out, the payments be made by checks and proper receipts taken and filed.

(7) That itemized vouchers for all disbursements made, properly receipted, be hereafter filed for the examination of auditors and examiners.

(8) That a record of all death claims be entered in the Claim Register as soon as received and the record be made more complete by showing whether the claim is rejected, resisted or paid. If the latter, the date of payment and the amount of any advance made.

Salaries of Officers

The following officers receive compensation:

Samuel Goldstein, Grand Master.....	\$1,000 per annum
Sigmund Foder, Grand Secretary.....	3,000 per annum

The compensation of the grand master is treated by the Grand Lodge as a donation in lieu of a regular salary, and it should be added that the grand secretary pays for the services of a clerk from his salary.

The office of grand messenger has been abolished.

The grand secretary is bonded with a surety company in the sum of \$10,000.

THE NATIONAL PROTECTIVE LEGION

WAVERLY, N. Y.

*Examined to ascertain condition July 31, 1913.**Report dated September 16, 1913.**Examiners: Clarence J. Norton and Wilbur F. German.**Ledger Assets*

Book value of real estate.....	\$34,000 00	
Mortgage loans on real estate.....	62,200 00	
Book value of bonds.....	90,052 75	
Cash in bank.....	7,205 44	
Total ledger assets.....		\$193,458 19

Non-Ledger Assets

Interest and rents accrued.....	\$1,474 15	
Assessments collected by subordinate lodges not paid into supreme body, estimated.....	28,096 69	
Total non-ledger assets.....		29,570 84
Gross assets		\$223,029 03

Deduct Assets Not Admitted

Book value of bonds over market value.....	25,652 75	
Total admitted assets.....		\$197,376 28

Liabilities

Class A—Mortuary claims	\$2,750 00	
Class A—Old age, cash surrender values....	666 68	
Class B—(new) Mortuary claims	559 92	
Class B—(new) Disability claims awaiting final adjustment	7,314 11	
Class B—(new) Disability claims incomplete	228 00	
Class C—Mortuary claims	665 00	
Class C—Disability claims awaiting final ad- justment	4,475 05	
Class C—Disability claims incomplete.....	177 90	
Class B—(old) Disability claims awaiting final adjustment	120 00	
Total liability for claims.....	\$16,956 66	

Bills, accounts, etc., due and accrued.....	\$22, 216 37	
Borrowed money	6, 000 00	
Advance assessments (unearned equity on transferred certificates).....	62, 254 00	
Cash values which may be demanded on certificates of members aged 70 or over.....	1, 666 67	
Total liabilities		\$100, 093 70
Balance of assets over liabilities.....		\$88, 282 58

The following statement shows the income and disbursements of the society, as a whole, for the year ending July 31, 1913:

Balance ledger assets, July 31, 1912..... \$211, 272 30

<i>Income</i>		
Assessments, Class A (mortality)	\$109, 867 20	
Assessments, Class B (new form)	89, 674 64	
Assessments, Class B (old form).....	6, 870 20	
Assessments, Class C.....	69, 789 14	
Assessments, General Fund	67, 834 36	
Quarterly dues	1, 165 50	
Membership fees	112 26	
Total paid by members.....	\$345, 313 30	
Interest	7, 099 87	
Rent from society's office building (not including any charge for space occupied by society for the conduct of its own business) ..	1, 611 00	
Increase in book value of securities transferred from one class to another.....	1, 000 00	
Borrowed money	26, 000 00	
Sale of lodge supplies.....	3, 611 38	
Cash in hands of treasurer of disbanded lodge paid into supreme body.....	43 45	
Sale of office furniture.....	98 00	
Miscellaneous	107 12	
Total income		384, 884 12
Total		\$596, 156 42

<i>Disbursements</i>		
Death claims, Class A.....	\$95, 050 66	
Death claims, Class B (old form) ..	2, 025 86	
Death claims, Class B (new form) ..	6, 591 43	
Death claims, Class C.....	15, 808 17	
Total death claims		\$119, 476 12

Disability claims, Class B (old form)	\$6,615 12	
Disability claims, Class B (new form)	105,729 87	
Disability claims, Class C.....	68,426 69	
Total disability claims.....	\$180,771 68	
Dividends, Class B (old form).....	907 00	
Surrendered policies, Class A.....	333 34	
Total paid to members.....	\$301,488 14	
Loss on sale of securities.....	774 70	
Borrowed money repaid.....	23,000 00	
Salaries of organizers.....	15,422 39	
Salaries of office employees.....	11,941 94	
Expense of organizing	11,523 83	
Officers' salaries	8,911 36	
Attorney's fees (counsel on account).....	1,532 57	
Taxes, repairs and expenses on real estate....	1,326 77	
Legal expenses (litigation).....	779 60	
Management and miscellaneous.....	25,667 87	
Interest on borrowed money.....	329 06	
Total disbursements	\$402,698 23	
Balance ledger assets July 31, 1913.....	\$193,458 19	

The following statements show the income and disbursements of each fund for the year ending July 31, 1913, and the balance of ledger assets to the credit of each fund at the beginning and ending of such period:

Class A (Mortuary Fund)

Balance ledger assets August 1, 1912.....	\$117,431 35	
<i>Income</i>		
Assessments	\$109,867 20	
Interest	3,781 00	
Rent	1,137 16	
Total income	114,785 36	
Total	\$232,216 71	

Disbursements

Death claims	\$95,050 66	
Loss on sale of securities.....	94 70	
Surrendered certificates	333 34	
Total disbursements		\$95,478 70
Balance ledger assets July 31, 1913.....		\$136,738 01

Class B (Dividend Fund)

Balance ledger assets August 1, 1912.....		\$2,890 00
	<i>Income</i>	
Assessments		6,870 20
Total		\$9,760 20

Disbursements

Dividends	\$907 00	
Disability loans	6,615 12	
Death benefits	2,025 86	
Total disbursements		9,547 98
Balance ledger assets July 31, 1913.....		\$212 22

Class B (New Form)

Balance ledger assets August 1, 1912.....		\$75,794 07
	<i>Income</i>	
Assessments	\$89,674 64	
Interest	2,632 87	
Rent	473 84	
Total income		92,781 35
Total		\$168,575 42

Disbursements

Disability claims	\$105,729 87	
Death claims	6,591 43	
Loss on sale of securities	680 00	
Total disbursements		113,001 30
Balance ledger assets July 31, 1913.....		\$55,574 12

Class C

Balance ledger assets August 1, 1912.....		\$15,712 88
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Income

Assessments	\$69,789 14	
Interest	686 00	
Gain on transfer of securities.....	1,000 00	
Total income		\$71,475 14
Total		\$87,188 02

Disbursements

Disability claims	\$68,426 69	
Death claims	15,808 17	
Total disbursements		84,234 86
Balance ledger assets July 31, 1913.....		\$2,953 16

General Fund

Ledger debit balance August 1, 1912.....	\$556 00
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Income

Assessments, fees and dues.....	\$69,112 12	
Supplies	3,611 38	
Borrowed money	26,000 00	
Miscellaneous	248 57	
Total income		98,972 07
Difference		\$98,416 07

Disbursements

Borrowed money repaid.....	\$23,000 00	
Expenses	77,435 39	
Total disbursements (including \$23,000 borrowed money repaid)		100,435 39
Ledger debit balance July 31, 1913.....		\$2,019 32

Recapitulation of Balances of Funds July 31, 1913

Class A	\$136,738 01
Class B (dividend).....	212 22
Class C	2,953 16
Class B (new form).....	55,574 12
Total	\$195,477 51
Deduct debit balance of General Fund.....	2,019 32
Total ledger assets.....	\$193,458 19

The following statements show the financial condition of each class on date of this examination:

Class A (Mortuary)

<i>Ledger Assets</i>	
Book value of bonds.....	\$72,790 75
Mortgage loans on real estate.....	34,200 00
Cash in bank	5,747 26
Equity in real estate (home office building) ..	10,000 00
Total ledger assets	\$122,738 01
<i>Non-Ledger Assets</i>	
Accrued interest and rents.....	\$941 55
Assessment collected by subordinate lodges not yet paid into supreme body.....	9,033 74
Total non-ledger assets	9,975 29
Gross assets	\$132,713 30
Deduct book value of bonds over market value.....	23,990 75
Total net assets	\$108,722 55
<i>Liabilities</i>	
Mortuary claims	\$2,750 00
Cash surrender claims	666 68
Cash values which may be demanded on certificates of members aged 70 years.....	1,666 67
Advanced assessments (unearned equities on transferred certificates)	9,843 41
Total liabilities	14,926 76
Balance to protect certificate contracts.....	\$93,795 79

Class B (Old Form)

<i>Ledger Assets</i>	
Cash in bank	\$212 22
<i>Non-Ledger Assets</i>	
Assessments collected by subordinate lodges, not yet turned over to supreme lodge.....	409 00
Gross assets	\$621 22
<i>Liabilities</i>	
Disability claims	120 00
Balance to protect certificate contracts July 31, 1913....	\$501 22

*Class B (New Form)**Ledger Assets*

Book value of bonds.....	\$17,262 00
Mortgage loans on real estate.....	28,000 00
Equity in real estate (home office building)...	24,000 00
Cash in bank	312 12

Total ledger assets	<u>\$69,574 12</u>
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Non-Ledger Assets

Accrued interest and rents.....	\$532 60
Assessments collected by subordinate lodges not yet paid into supreme body.....	7,576 83

Total non-ledger assets.....	<u>8,109 43</u>
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Gross assets	\$77,683 55
Deduct book value of bonds over market value.....	<u>1,662 00</u>

Total net assets	<u>\$76,021 55</u>
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Liabilities

Mortuary claims—approved	\$559 92
Disability claims—approved	7,314 11
Disability claims—incomplete.....	228 00
Advanced assessments (unearned equities on transferred certificates)	38,738 99

Total liabilities	<u>46,841 02</u>
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Balance to protect certificate contracts.....	<u>\$29,180 53</u>
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*Class C**Ledger Assets*

Cash in bank	\$2,953 16
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Non-Ledger Assets

Assessments collected by subordinate lodges, not yet paid into supreme body	6,034 23
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Gross assets	<u>\$8,987 39</u>
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Liabilities

Mortuary claims—approved	\$665 00	
Disability claims—approved	4, 475 05	
Disability claims—incomplete	177 90	
Advanced assessments (unearned equities on transferred certificates)	13, 671 60	
Total liabilities		\$18, 989 55
Total deficit July 31, 1913.....		\$10, 002 16

General Fund

Ledger debit balance July 31, 1913.....	\$2, 019 32
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Non-Ledger Assets

Assessments collected by subordinate lodges not yet paid into supreme body (estimated).....	5, 042 89
Net assets	\$3, 023 57

Liabilities

Miscellaneous bills due and unpaid.....	\$22, 216 37	
Borrowed money	6, 000 00	
Total liabilities		28, 216 37
Total deficit July 31, 1913.....		\$25, 192 80

ORGANIZATION

This society commenced business in the year 1890 and was incorporated as a fraternal beneficiary society in 1891. The local legions, or subordinate lodges, are represented in the National Legion, the supreme legislative body, by delegates elected by the members. The constitution provides that each legion may have one representative in the National Legion for the first 100 beneficial members or fraction thereof, and one for each additional 400 members.

The National Legion is composed of the national officers, members of standing committees and the duly elected representatives of the local bodies. It meets biennially on the third Tuesday of September. A session will be held this year in Detroit, Mich.

This body, besides making the general laws for the government of the whole society, elects the national officers and fixes their compensation.

The business affairs of the order are managed by the executive board, which is composed of the twelve national officers. The management of the whole society is practically vested in this board.

PLANS OF INSURANCE

The principal business of this society until December 31, 1910, was the writing of the so-called five-year cash dividend business. On said date it discontinued writing this class of business, and since that time it has limited its business to the writing of regular forms of life and disability insurance in three general classes.

The dividend business known as "old class B" which was in force at the time the society ceased writing this kind of business, has now been practically extinguished. Some of the members were transferred to other classes and others have terminated their membership. On date of this examination there were only 245 certificates remaining in this class, of which 26 certificates were under suspension.

The history of "old class B" has been fully given in former reports published by this department.

The following schedule shows the monthly dividends paid on certificates of this class maturing since October 1, 1912, based on a \$2 monthly assessment rate:

1912.			1913.		
Oct.	1.	\$13 30	Jan.	1.	\$16 16
Nov.	1.	11 46	Feb.	1.	16 62
Dec.	1.	9 62	March	1.	11 74
			April	1.	7 30
			May	1.	3 46
			June	1*	2 70

The three general classes of business now being written are described as follows:

Class A:

The society limits its business in this class to life insurance exclusively. Certificates are issued under six different forms embracing whole life and term insurance. In certain of such forms a provision is made that members arriving at the age of 70,

* No dividends have been computed since this date. Hereafter they will be computed quarterly.

in the event of disability, shall have the option of taking a certain immediate benefit, such as paid-up insurance or cash surrender values. Another form provides that should temporary or permanent disability for not less than two weeks occur prior to age 70, the payment of assessments will be waived during such disability.

Persons are eligible for admission in this class who are not less than 18 or more than 60 years of age, and must pass a medical examination. The minimum insurance issued on one life is \$250 and the maximum \$5,000.

The rates for the whole life certificates are based on the National Fraternal Congress table of mortality with interest at $3\frac{1}{2}$ per cent., and for the term certificates, on the same table with interest at 4 per cent. A loading is added for expenses. The rates were computed by Actuary Landis.

Class B:

This plan was adopted to take the place of Class B, old form, but eliminating the cash dividend feature.

The full rate certificate, for which the assessment rate is \$2 per month, regardless of age, provides for \$50 benefit, if death occurs within ten months, and thereafter for \$5 per month for each complete month of membership until the benefit shall have reached the sum of \$150; thereafter it remains level at the latter amount.

The certificate also provides for disability benefits at the rate of \$15 per week, on a full rate certificate, not to exceed ten weeks per year for each completed year of membership below fifty years of age. For members over fifty the benefit is graded according to a table set forth in the constitution of the society. No medical examination is required to be admitted in this class.

Class C:

Certificates in this class are issued to members based on graded rates according to age. These certificates are issued in four different forms, covering both life and general disability insurance, and one form covering accidental death and disability exclusively. The minimum death benefit issued is for \$200, and the maximum \$600, covering regular life insurance. The special accident certifi-

cate provides \$1,000 in the event of accidental death. Certain limitations are placed on the length of disability benefits, based on the time the certificate has been in force. Medical examination is required to be admitted to this class.

ASSETS

Real Estate:

The real estate owned by the society consists of its home office building in Waverly, N. Y. The building is a three story and basement structure, erected by the society several years ago at a total cost of \$70,289.21. In December, 1911, its value was appraised by a special appraiser representing this department, who fixed the market value at \$34,000.

This asset was formerly the property of "old class B," but in closing up the affairs of this class it became necessary for the management to dispose of it, and it was finally transferred to Class A and "new Class B" at the said appraised value in the following proportion: Class A, \$10,000; Class B, \$24,000.

The gross rent received from this property for the year covering this examination for space not occupied by the society amounted to \$1,611. The society does not charge itself for rent directly for the space it occupies but, in lieu thereof, pays out of the general fund the taxes, repairs and insurance on the building.

Securities:

The following bonds are in default as to payment of either the principal or interest:

<i>Description of bonds</i>	<i>Purchase price</i>	<i>Market value</i>	<i>Date of default</i>
Buffalo & Susq. Ry. 1953 4½s.....	\$10,000	\$900	May 1, 1910
Eden Irrig. & Land Co. 1916 6s.....	4,850	.....	Jan. 1, 1913
Pana. Coal Co. 1913 6s.....	9,900	5,000	Feb. 1, 1913
Leadville Light & Power Co. 1924 6s....	8,500	7,500	March 1, 1913
Laramie, Hahn's Pk. & Pac. Ry. 1932 6s.	4,012	2,000	July 1, 1913
City of Grossdale, Ill., 1911-1912 4s.....	1,750	1,000	Nov. 1, 1911
Totals	\$39,112	\$16,400	

Cash in bank:

The society has but one depository, the First National Bank of Waverly, N. Y. A schedule of the cash balance of the society

in this bank on the first of each month from January 1, 1913 to August 1, 1913, inclusive, as shown by the books of the society and bank, respectively, the difference being represented by outstanding checks, is as follows:

		<i>Society's balances</i>	<i>Bank balances</i>
January,	1913.....	\$19,737 87	\$33,208 74
February,	1913.....	30,252 42	41,288 65
March,	1913.....	32,487 64	44,142 81
April,	1913.....	22,161 58	39,824 92
May,	1913.....	11,955 14	23,339 70
June,	1913.....	1,597 33	11,154 64
July,	1913.....	9,428 64	15,939 88
August,	1913.....	7,205 44	21,370 41

The average balance for the above period, using the bank's balances, was \$28,783.72. In the year 1912 the society received interest from this source amounting to \$208.34. For the year 1913 no interest has been received up to the date of this examination, to wit, July 31, 1913.

EXPENSE OF MANAGEMENT

It is obvious that the expense of management of this society is too high. For the year covering this examination the total disbursements for expenses amounted to \$77,435.39, or approximately 22½ per cent. of the total income from members. These figures do not take into account accrued claims still unpaid on July 31, 1913, which are obligations against the expense fund, amounting to \$25,192.80, for the reason that the items of expense actually paid during the said year include certain claims which were incurred prior to the beginning of such period. However, it is probable that the claims unpaid at the beginning of the year did not nearly equal the amount last above mentioned. In other words the society is constantly running behind in this fund.

It will be noted in the foregoing financial statement of this fund that on date of this examination the management had borrowed from other funds and used for expenses the sum of \$2,019.32. However, this would be more than offset by the credit due the expense fund for its proportion of assessments levied in July, but not received at the home office on the 31st of said month.

We find that among the claims unpaid is an item of \$6,000

for money borrowed; that many of the miscellaneous claims have been assigned to the president, George A. Scott, who has personally advanced the cash in payment thereof, expecting to reimburse himself when conditions warrant it.

It appears that the cause of the heavy expense ratio is due to the great struggle the society is making to obtain new members to offset the tremendous lapsation of old ones, due particularly to the deplorable outcome of the old cash dividend business. We find that for the year under examination the society disbursed \$15,422.39 for salaries of organizers; \$11,523.83 for expense of organizing; \$3,185.67 for rent of offices of organizers and agents; \$1,907.05 for organizers' traveling expenses, or a total of \$32,038.94, or about 41½ per cent. of the total expense disbursements, for obtaining new members. These figures do not include any charge for postage, stationery, printing, advertising, medical examinations, or traveling expenses of officers, trustees and committees.

Much retrenchment has been made on account of salaries of officers and employees, as well as for incidental expenses at the home office.

The plight in which the society now finds itself with regard to expense revenue is causing it considerable embarrassment, and unless it can devise means soon whereby expenses can be kept within the income to the expense fund, and the comparatively large deficit already created wiped out, it will not be long before the general credit of the society will be seriously impaired.

It was stated that a certain amendment to the constitution, looking to the increase of the expense fund, would be brought before the regular convention of the society which, since the work of this examination has been completed, has been held in Detroit, Michigan. The amendment mentioned proposes to hereafter issue all certificates in classes A and C on the preliminary term basis, and use for expenses the excess of the first year's assessments over the current cost for the benefits provided therein. This may aid the expense fund to a certain extent, but, in the opinion of your examiners, the society must either further reduce its cost of management or levy extra assessments upon all members equitably, directly for the expense fund.

The following table shows the amount and derivation of the expense fund by months for the year of this examination; also the amount of disbursements for each month for the same period:

1912	Portion of regular assessments	Member- ship fees	Sale of lodge supplies	Dues	Miscel- laneous	Total income	Total disburse- ments
August....	\$7,319 55	\$5 60	\$418 39	\$65 50	\$0 50	\$7,809 54	\$8,310 43
September..	6,688 31	5 56	181 68	37 50	20 00	6,933 05	7,238 75
October....	6,249 43	3 13	242 83	31 00	49 15	6,575 54	6,924 66
November..	5,685 62	44 69	303 54	256 50	50	6,290 85	6,312 07
December..	5,658 75	9 90	174 06	22 50	31 50	5,896 71	5,806 74
1913							
January....	5,193 78	15 10	232 58	24 50	37 00	5,502 96	6,327 46
February...	5,320 56	7 50	135 24	248 00	18 04	5,729 34	6,195 09
March.....	5,221 51	4 19	50 17	26 00	46 63	5,348 50	6,126 91
April.....	5,202 87	10 04	920 23	25 50	1 80	6,160 44	6,324 74
May.....	5,141 49	2 93	540 81	249 00	.....	5,934 23	6,420 77
June.....	5,109 60	62	138 98	41 50	13 45	5,304 15	5,784 98
July.....	5,042 89	3 00	272 87	138 00	30 00	5,486 76	5,662 79
Totals.....	<u>\$67,834 36</u>	<u>\$112 26</u>	<u>\$3,611 38</u>	<u>\$1,165 50</u>	<u>\$248 57</u>	<u>\$72,972 07*</u>	<u>\$77,435 39</u>

INCREASED ASSESSMENTS

Among other amendments to be proposed at the said convention is one providing that future entrants in classes A and C shall pay assessments to equal the present tabular rate, according to age, plus one year. For example the rate now being paid by a member aged 31, at entry, would be the rate paid by future members at age 30.

From the present financial condition of Class C, as shown in this report, it is apparent that an increase in assessment rates of this class cannot be made too soon. It remains to be seen whether the new rates, to be collected of new members only, will be sufficient to eliminate the deficit in this class.

TRANSFER OF BONDS FROM OLD CLASS B

We find that on or about November 9, 1911, \$10,000 par value of gas and electric bonds of Paris, Ill., were transferred from old Class B to Class C for \$8,700; that on or about April 10, 1913, the same bonds were transferred from Class C to Class A for \$9,700. At the time the said bonds were transferred from old Class B the market value thereof was not less than \$9,200, and at the time they were transferred from Class C to Class A they were worth, in the market, approximately the same amount. It is true that the financial condition of Class C needed strengthening but, at the same time, we do not believe this fact would

*Does not include a balance of \$3,000 borrowed during the year.

warrant the management in discriminating against the other classes mentioned in this way.

We therefore recommend that Class C reimburse old Class B and Class A to the extent of \$500 each.

NATIONAL OFFICERS AND THEIR SALARIES

The following schedule shows the salaries of officers fixed by the convention held in 1911 and the amounts drawn since December, 1, 1912:

National officers	Salaries fixed by 1911 Convention per annum	Salaries drawn since December 1, 1912
President Geo. A. Scott.....	\$5,000	\$250 per month
Vice-president Geo. A. Dudley.....	\$10 per day and expenses	None
Secretary H. C. Lockwood.....	\$2,500	\$50 per month
Treasurer H. C. Bruster.....	\$1,800	\$150 per month
Medical examiner W. M. Hilton...	\$2,750	\$190.97 per month
Trustee chairman D. C. Cumpston..	\$600	\$25 per month
Trustee B. Lichtenberger.....	.....	\$10 per day and expenses
*Trustee G. A. Hodgkinson.....	.....	\$10 per day and expenses
Auditor B. F. Spencer.....	\$600	\$30 per month
Auditor Jas. H. Noon.....	.....	\$10 per day and expenses
Auditor E. D. Born.....	.....	\$10 per day and expenses
Counsel for the Legion, F. L. How- ard	\$1,800	\$100 per month

The president stated that no liability existed on the part of the society for salaries voted by the last convention and not drawn in full.

MEMBERSHIP AND INSURANCE

The following table shows the membership and insurance in force by classes on July 31, 1913, the date of this examination:

Class	Membership	Numbers
A	11,030	\$10,075,450
B Old Form.....	245	
B New Form.....	8,058	
C	8,116	3,243,500
Total	27,449	

Certain certificates under suspension, the holders of which have the right of reinstatement, are included in the above figures, and amount to 3,399 in all classes. Hence the total number of certificates in full force was 24,050. This shows a decrease of 1,096 from December 31, 1912, using the figures submitted by the management in the annual statement as of that date.

* Resigned January 9, 1913.

ORDER OF ADELPHI

ROCHESTER, N. Y.

*Examined to ascertain condition January 19, 1914.**Report dated January 20, 1914.**Examiners: Clarence J. Norton and J. Frank Tucker.**Ledger Assets*

Bank deposits	\$7,384 79
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Non-Ledger Assets

Assessments actually collected by subordinate lodges but not turned over to supreme lodge.....	168 30
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Gross assets	\$7,553 09
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Liabilities

Unpaid bills and accounts.....	\$114 25
Assessments paid in advance.....	123 65

Total liabilities	237 90
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Balance	\$7,315 19
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The income and disbursements from January 1, 1913 to January 19, 1914, inclusive, were as follows:

Income

Assessments and fees.....	\$6,022 15
Interest on bank balance.....	237 92

Total income	\$6,260 07
Balance, ledger assets December 31, 1912.....	7,346 74

Total	\$13,606 81
-------------	-------------

Disbursements

Death claims	\$4,000 00
Commissions and fees to deputies and organ- izers	46 00
Salaries of officers.....	1,400 00
Management and miscellaneous.....	556 02
Loans repaid to directors.....	220 00

Total disbursements	6,222 02
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Balance, ledger assets January 19, 1914.....	\$7,384 79
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Sixty-five per cent. of the assessments are credited to the mortuary fund and thirty-five per cent. to the expense fund. The income and disbursements for these two funds from January 1, 1913, to January 19, 1914, inclusive, and the balances as of January 19, 1914, were as follows:

MORTUARY FUND*Income*

Assessments	\$3,886 52	
Interest on bank balances	237 92	
Total income		\$4,124 44
Balance December 31, 1912		7,010 97
Total		\$11,135 41

Disbursements

Death claims	4,000 00	
Balance, January 19, 1914	\$7,135 41	

EXPENSE FUND.*Income*

Assessments and fees	\$2,135 63	
Total income		\$2,135 63
Balance, December, 31, 1912		335 77
Total		\$2,471 40

Disbursements

Total expenses of management	2,222 02	
Balance, January 19, 1914	\$249 38	

FUND BALANCES JAN. 19, 1914.

Mortuary	\$7,135 41	
Expense	249 38	
Total ledger assets, January 19, 1914	\$7,384 79	

Assets

The cash in banks was verified by certificates obtained from the banks and reconciled with the records of the society. The assessments actually collected by subordinate lodges, but not yet turned over to the supreme lodge, represent assessments received

by the secretary in his capacity as secretary for the local lodge. This amount, \$168.30, is deposited in his name as supreme secretary, but it is not customary for him to turn such collections over to the supreme treasurer until the end of the month. The amount was verified by bank certificate.

Liabilities

There are no unpaid death claims. The assessments paid in advance represent all assessments paid for the year 1914, but few members having paid their January assessments.

Membership

Since this society began business, in 1911, its membership has been steadily falling off. Although the required number of applications to comply with the law were received, only 318 certificates, representing \$338,500 of insurance, were actually issued, the remainder of the applicants refusing to accept them. The total number of certificates issued were as follows:

<i>Year of issue</i>	<i>Number of certificates</i>	<i>Amount of insurance</i>
1911	318	\$338,500 00
1912	121	87,000 00
1913	8	7,000 00
	447	\$432,500 00

The certificates in force on the dates given below were as follows:

<i>Date</i>	<i>Number of certificates</i>	<i>Amount of insurance</i>
December 31, 1911.....	233	\$262,500 00
December 31, 1912.....	223	225,500 00
December 31, 1913.....	114	126,000 00
January 19, 1914.....	108	121,000 00

Six of the members reported as in good standing on December 31, 1913, have failed to pay their December assessments and have not, therefore, been considered as in good standing on January 19, 1914.

Recommendation

In view of the facts herein set forth it appears that the further transaction of business by this society will be hazardous to its

members, its creditors and the public. We therefore recommend that the Superintendent apply to the Supreme Court for an order to liquidate the society under the provisions of section 63 of the Insurance Law.

THE ORDER OF THE GOLDEN SEAL

ROXBURY, N. Y.

Examined to ascertain condition September 30, 1913.

Report dated November 26, 1913.

Examiner: John E. Diefendorf.

STATEMENT OF ASSETS AND LIABILITIES

Ledger Assets

Northern Department:

Real estate (book value)	\$21,865 22
Mortgage loans on real estate.....	250,358 79
Contracts for sale of real estate.....	11,825 00
Corporate and municipal bonds (book value)	286,415 26
Cash in banks.....	1,563 47
Cash in office.....	72 96
Accounts receivable, representing disbursements not yet charged to general fund.....	24,441 40
Furniture and fixtures (not yet charged to general fund)....	632 38
Loans on death benefit certificates.....	378 00
Total ledger assets.....	\$597,552 48

Southern Department:

Real estate (book value).....	\$50,957 58
Mortgage loans on real estate.....	2,000 00
Stocks	3,500 00
Cash in banks.....	1,120 34
Cash in office.....	6 42
Loans on death benefit certificates.....	92 09
Bills receivable.....	688 43
Furniture and fixtures.....	2,276 55
Organizers and camp balances.....	460 85

Total ledger assets..... \$61,102 26

Total ledger assets, both departments..... \$658,654 74

*Non-Ledger Assets**Northern Department:*

Interest due and accrued on bonds.....	\$4,849 11
Interest accrued on mortgages.....	6,234 20
Interest due on mortgages.....	1,211 71
Interest due and accrued on real estate contracts.....	338 75
Assessments in process of collection.....	8,345 60
Assessments in process of collection (Assurance League certificates, less overdraft and salaries advanced).....	6,321 10
Liens and accrued interest (Assurance League certificates, option 3).....	25,241 63
Total non-ledger assets.....	<u>\$52,542 10</u>

Southern Department:

Interest accrued on mortgage.....	\$28 33
Rents accrued.....	205 00
Assessments in course of collection.....	2,575 36
Excess of market value of five shares of Virginia Trust Company stock over book value.....	290 00
Excess of appraised value of real estate over book value....	2,348 79

Total non-ledger assets.....	<u>\$5,447 48</u>
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Total non-ledger assets (both departments).....	<u>\$57,989 58</u>
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Gross assets (both departments).....	<u>\$716,644 32</u>
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*Assets not Admitted**Northern Department:*

Excess of book value of bonds over market value.....	\$45,731 66
Accounts receivable.....	24,441 40
Furniture and fixtures	632 38
Second mortgage on real estate, uncollectable (J. Kennedy) ..	537 51

Total Northern Department.....	<u>\$71,342 95</u>
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Southern Department:

Furniture and fixtures.....	\$2,276 55
Bills receivable.....	688 43
Organizers and camp balances.....	460 85

Total Southern Department.....	<u>\$3,425 83</u>
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Total assets not admitted (both departments).....	<u>\$74,768 78</u>
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Total admitted assets (both departments).....	<u><u>\$641,875 54</u></u>
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*Liabilities**Northern Department:*

Reserve, American 3½% mortuary class, O. G. S. certificates..	\$45,792 00
Reserve, American 3½% Assurance League certificates except step-rate plan.....	89,056 00
W. N. Coler & Co., borrowed money, with accrued interest....	71,720 52
W. N. Coler & Co., Delaware County Electric Light & Power Co., balance on reorganization, guaranteed by order.....	4,232 98
Advance assessments.....	2,400 34
Unearned assessments credited as advance payments to members transferring certificates from dividend class under option 1.....	2,118 29
Unearned assessments credited as advance payments to members transferring certificates from dividend class under option 2.....	2,032 62
Dividends on old plans which matured prior to October 1st, 1913, and unpaid on said date.....	12,495 81
Equities held in trust on dividend certificates of members transferring under option 2.....	46,802 02
Equities held in trust on dividend certificates of members transferring under option 3.....	2,038 67
Death claims, D. B. plan.....	2,000 00
Death claims, Assurance League.....	28,788 46
Disability claims, combination plan.....	3,432 50
Disability claims, H. & A. plan.....	570 54
Disability claims, contested.....	150 00
Miscellaneous bills and accounts.....	4,153 01
Salary of associate counsel accrued, contingent on approval..	1,250 00
Interest due beneficiaries on Assurance League certificates (errors in computing interest).....	52 65
Promissory notes.....	15,000 00
Miscellaneous ledger balances.....	497 32
Total Northern Department	\$334,583 73

Southern Department:

Reserve American 3½% mortuary class, O. G. S.....	\$1,904 00
Promissory note (present value of discounted note due December 10, 1913).....	9,885 33
Unearned interest on mortgage paid in advance.....	37 33
Advance assessments.....	1,925 55
Death claims.....	6,456 53
Disability claims.....	177 50
Miscellaneous bills and accounts.....	1,349 87
Taxes and repairs.....	249 68
Total Southern Department.....	\$21,985 79
Total liabilities, both departments.....	\$356,569 52
Balance to protect certificate contracts.....	\$285,306 02

A statement of the income and disbursements for the nine months ending September 30, 1913, is as follows:

BOTH DEPARTMENTS

Balance, ledger assets December 31, 1912..... \$1,025,309 07

Income

Assessments:

Benefit fund.....	\$49,021 58
Mortuary fund.....	13,257 72
General fund.....	50,433 81
Contingent fund.....	2,602 19
*Assurance League mortuary fund.....	82,048 61
Fraternal Life and Accident mortuary fund...	17,020 41
Certificate fees.....	36 50

Total income from members.....	\$214,420 82
Interest on mortgages.....	11,260 76
Interest on bonds.....	16,871 84
Interest on bank deposits.....	343 39
Dividends on stocks.....	20 00
Interest on disability loans.....	3,246 03
Rents.....	3,008 90
Local camp supplies.....	645 44
Disability loans returned.....	24,455 33
Borrowed money — notes.....	25,000 00
Borrowed money from Coler & Co.....	7,103 55
Miscellaneous.....	210 01

Total income 306,586 07

Total ... \$1,331,895 14

Disbursements

Death claims.

F. L. & A. A.....	\$10,343 75
H. & A. plan.....	7,508 20
D. B. plan.....	7,750 00
Assurance League.....	107,175 00
C. & P. plan.....	150 00
Disability benefits.....	37,965 50
Disability loans.....	8,097 51
Dividends, H. & A. plan.....	212,510 15
Dividends, D. B. plan.....	4,578 11
Dividends, equities paid on dividend certificates prior to maturity.....	119,720 20
Surrender values.....	485 84

Total paid to members..... \$616,284 26

* Does not include assessment liens charged against Option 3 certificates not carried as a ledger asset.

Investigating and adjusting claims.....	\$5,498 21	
Interest on borrowed money.....	5,080 08	
Commissions and salaries of organizers and agents	30,122 15	
Collections	3,702 10	
Legal expenses.....	2,328 25	
Local camp supplies.....	276 00	
Agency expense.....	5,503 63	
Actuarial expense	4,356 40	
Rents	945 00	
Rents, branch offices.....	250 00	
Traveling expenses.....	13,501 84	
Salaries of officers for 1912.....	19,717 79	
Salaries of committees for 1912.....	2,400 00	
Salaries of officers for 1913—Southern Department*	4,900 00	
Salaries of office employees.....	9,268 87	
Medical examination fees.....	735 00	
Advertising, printing and stationery.....	3,324 96	
Advance commissions.....	2,664 80	
Postage, telegraph, telephone, express, office supplies, etc.....	3,029 46	
Official publication	\$1,499 93	
Assurance League general fund expenses, including judgment paid, legal expenses and accountant's fee	3,070 76	
Supreme camp expense.....	3,444 96	
Transfer expense.....	1,329 56	
Miscellaneous items.....	1,724 69	
Taxes, repairs, etc., on real estate (Southern Department)	888 42	
Assessments and fees returned.....	184 87	
Insurance department's fees and licenses.....	256 50	
Loss on sale of assets (O. G. S.)... \$21,376 35		
Loss on sale of assets (A. L.)..... 5,575 56		
		26,951 91
Total disbursements		\$673,240 40
Balance ledger assets September 30, 1913.....		\$658,654 74

A statement of the income and disbursements of the various funds of the order from January 1, 1913, to September 30, 1913, inclusive, is as follows:

* Salaries paid in Northern Department carried as individual accounts, not yet posted to salary account.

*Northern Department***BENEFIT FUND**

Balance December 31, 1912* \$492, 454 63

Income

Assessments	\$43, 995 26
Interest from securities and banks (adjusted)...	19, 153 72
Interest from disability loans.....	3, 246 03
Rents	132 00
Disability loans returned.....	24, 455 33
Transferred from Southern Department.....	15, 000 00
Borrowed money (notes).....	15, 000 00
Borrowed money (Coler & Co.).....	7, 103 55

Total income 128, 085 89

Total . . . \$620, 540 52

Disbursements

Dividends	\$212, 510 15
Death losses.....	7, 508 20
Disability benefits.....	28, 790 50
Permanent disabilities.....	750 00
Disability loans	8, 097 51
Adjusting claims.....	4, 276 17
Interest on borrowed money.....	4, 885 08
Miscellaneous, taxes, recording fees, etc.....	1, 370 94
Loss on sale of ledger assets.....	21, 376 35
Transfer to general fund, representing credits made through error.....	3, 437 40
Transfer to transfer fund.....	33, 325 32

Total disbursements 326, 327 62

Ledger balance September 30, 1913..... \$294, 212 90

MORTUARY FUND

Balance December 31, 1912..... \$71, 405 22

Income

Assessments	\$12, 841 40
Interest from securities and banks, adjusted.....	3, 106 07

Total income 15, 947 47

Total . . . \$87, 352 69

* Does not include \$35,000 due from Southern Department.

Disbursements

Death claims.....	\$7,750 00	
Dividends	4,578 11	
Surrender values.....	485 84	
Transfer to general fund, representing credits made through error.....	216 57	
Total disbursements		\$13,030 52
Ledger balance September 30, 1913.....		\$74,322 17

MORTUARY FUND, ASSURANCE LEAGUE

Balance December 31, 1912.....	\$193,254 37
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Income

Assessments*	\$82,048 61	
Interest from securities and banks, adjusted....	5,931 96	
Total income		87,980 57
Total		\$281,234 94

Disbursements

Death claims.....	\$107,175 00	
Loss on sale of ledger assets.....	5,575 56	
Total disbursements		112,750 56
Ledger balance September 30, 1913.....		\$168,484 38

GENERAL FUND

Balance December 31, 1912.....	\$2,499 53
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Income

Assessments	\$35,194 65	
Local camp supplies.....	610 05	
Transfer from contingent fund.....	24,180 58	
Transfer from benefit fund.....	3,437 40	
Transfer from mortuary fund.....	216 57	
Miscellaneous	210 01	
Total income		63,849 26
Total		\$66,348 79

Disbursements

Management expenses.....	\$87,662 84	
Fees returned to members.....	85 72	
Total disbursements		87,748 56
Ledger deficit September 30, 1913.....		\$21,399 77

* Does not include assessment liens charged against Option 3 certificates.

GENERAL FUND, ASSURANCE LEAGUE

Balance December 31, 1912.....	\$23,425 64
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Income

Nil

Disbursements

E. M. Stone, accountant.....	\$250 00
Legal expenses.....	100 00
E. A. Isaacs, legal expenses and disbursements in re Lehrer case.....	1,008 70
Lehrer judgment	1,712 06

Total disbursements	3,070 76
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Ledger balance September 30, 1913.....	\$20,354 88
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CONTINGENT FUND

Balance December 31, 1912.....	\$24,180 58
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Income

Assessments	2,348 99
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Total	\$26,529 57
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Disbursements

Transferred to general fund.....	24,180 58
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Ledger balance September 30, 1913.....	\$2,348 99
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TRANSFER FUND

Balance December 31, 1912.....	\$146,953 37.
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Income

Transferred from benefit fund as equities of dividend certificates not yet matured.....	33,325 32
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Total	\$180,278 69
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Disbursements

Transfer expense*.....	\$1,329 56
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Equities paid to dividend members on certificates not yet matured.....	119,720 20
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Total disbursements	121,049 76
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Ledger balance September 30, 1913.....	\$59,228 93
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* Will be transferred later to expense fund.

Southern Department

BENEFIT FUND

Balance December 31, 1912.....	\$40,788 58
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Income

Assessments	\$5,026 32
Rents	958 96
Borrowed money — note.....	10,000 00
Interest	138 00

Total income.....	16,123 28
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Total	\$56,911 86
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Disbursements

Death claims.....	\$150 00
Disability claims	8,425 00
Investigation and adjustment of claims.....	1,222 04
Taxes, repairs and miscellaneous expenses.....	597 49
Returned assessment	14 00
Discount on note.....	195 00
Transferred to Northern Department.....	15,000 00

Total disbursements	25,603 53
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Ledger balance September 30, 1913.....	\$31,308 33
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MORTUARY FUND

Balance December 31, 1912.....	\$511 37
--------------------------------	----------

Income

Assessments	416 32
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Disbursements

Nil

Ledger balance September 30, 1913.....	\$927 69
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BENEFIT FUND (F. L. & A. A.)

Balance December 31, 1912.....	\$34,076 78
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Income

Assessments	\$17,020 41
Rents	1,917 94
Interest and dividends.....	166 24

Total income	19,104 59
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Total	\$53,181 37
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Disbursements

Death claims	\$10,343 75
Taxes and repairs on real estate.....	592 28

Total disbursements	\$10,936 03
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Ledger balance September 30, 1913.....	\$42,245 34
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CONTINGENT FUND

Balance December 31, 1912.....	Nil
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Income

Assessments	\$253 20
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Disbursements

Ledger balance September 30, 1913.....	Nil
	\$253 20

GENERAL FUND

Debit balance December 31, 1912.....	\$4,241 00
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Income

Assessments	\$15,239 16
Miscellaneous	71 89

Total income	15,311 05
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Difference	\$11,070 05
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Disbursements

Management expenses	24,702 35
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Debit balance September 30, 1913.....	\$13,632 30
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*Recapitulation of Fund Ledger Balances September 30, 1913**Northern Department*

Benefit fund	\$294,212 90
Mortuary fund	74,322 17
Mortuary fund, A. L.....	168,484 38
General fund, A. L.....	20,354 88
Contingent fund	2,348 99
Transfer fund	59,228 93

Total	\$618,952 25
General fund deficit.....	21,399 77

Total ledger assets, Northern Department.....	\$597,552 48
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Southern Department

Benefit fund	\$31,308 33
Mortuary fund	927 69
Benefit fund (F. L. & A. A.)	42,245 34
Contingent fund	253 20

Total	\$74,734 56
General fund deficit	13,632 30

Total ledger assets, Southern Department.....	\$61,102 26
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Total ledger assets (both departments).....	\$658,654 74
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ORGANIZATION AND PLANS

This order was incorporated March 11, 1902, its object being to associate all acceptable white persons between the ages of 18 and 55 in bonds of fraternity, regardless of sex, creed or faith; to improve the social and financial conditions of its members and to render aid in time of need; to create and maintain funds out of which members of the order who have complied with its rules may receive benefits for themselves and their beneficiaries.

The order is governed by the supreme camp which meets regularly once in two years and is composed of delegates representing the subordinate lodges, or so-called local camps.

The management of the order is vested in the supreme council, which body is elected by the supreme camp, and by officers appointed by the former for a term of four years.

The principal business of this order until January 1, 1911, was the issuing of certificates on the six year dividend endowment plan, which certificates also included certain death and disability features. The writing of this class of business was abandoned on the above date, and since that time the order has confined its business to regular lines of life and disability insurance based on scientific plans with adequate rates.

A brief description of the certificates now issued is as follows:

Level Premium Death Benefit Plan

The order began writing this form of certificate in the year 1907. The monthly rates charged for insurance on this plan are based upon the American experience table of mortality,

with $3\frac{1}{2}$ per cent. interest assumption, and a valuation of such certificates is made annually by the actuary employed by the order. The reserve on this class is being maintained and the amount thereof on the date of this examination, to wit, September 30, 1913, is set forth in the above statement of liabilities, since the order has agreed with the members of this class to maintain the same.

The certificates issued on this plan provide for the payment of \$500, or a multiple thereof, not exceeding \$5,000. They provide for loans and cash surrender values after a period of five years, and also for extended or paid-up insurance after the certificate has been in force three years. At the expiration of five years and annually thereafter an accounting is made and the savings made in the class are returned to the members as dividends or so-called bonuses.

The experience in this class has been very satisfactory. The refund made to the first two classes at the end of the five-year period was an amount equal to twelve monthly assessments in cash or, in lieu thereof, a credit for thirteen monthly assessments. The refund allowed on the said classes for the year following the first five-year period was two monthly payments or a certain amount in cash, the same being graded according to the age of the member and the amount of his monthly payment.

The net premium rates for such certificates are loaded for expenses on an average of about 23 per cent.

Limited Payment Death Benefit Plan

This plan was adopted in 1908. It provides for monthly assessments for twenty years, at which time the insurance becomes paid up, save that extra assessments may be levied in the event the mortality experienced is so heavy as to impair the reserve. The rates are computed on the American experience mortality table, with $3\frac{1}{2}$ per cent. interest assumption, and certificates are issued in the same denominations as the level premium plan and contain corresponding features for extended insurance, paid-up and cash surrender values. This class also participates in the surplus or savings at the expiration of five years and annually thereafter. The dividends paid in this class thus far have been the same as on the level premium plan.

The proportion of such rates to be credited to the mortuary fund is slightly higher than the net rates on the American experience table of mortality $3\frac{1}{2}$ per cent. twenty payment life, and the loading added for expenses ranges from about 15 per cent. at age 20 to about $25\frac{1}{2}$ per cent. at age 55.

Special Level Premium Death Benefit Plan

This plan provides for a death benefit of \$250 after it has been in force six months. If death occurs within one month of date of issue, \$25 is payable, and if within six months, \$125. Loans and cash values are allowed after five years, and paid-up or extended insurance after three years. An accounting is provided for at the expiration of five years and annually thereafter, as in the other plans above described.

Combination Plan

This is a form adopted in 1910 and is intended to take the place of the old cash dividend and health and accident certificates. The monthly cost and benefits are as follows:

<i>Monthly assessments</i>	<i>Accidental death</i>	<i>Loss of hands, feet, eyes or hand and foot</i>	<i>Loss of hand and eye or foot and eye</i>	<i>Loss of hand or foot</i>	<i>Loss of eye</i>
\$4	\$2, 000	\$2, 000	\$1, 500	\$1, 000	\$500
3	1, 500	1, 500	1, 125	750	375
2	1, 000	1, 000	750	500	250
1	500	500	375	250	125

The following weekly benefits are paid for sickness or accident:

<i>Monthly assessments</i>	<i>Single</i>	<i>Double</i>
\$4	\$20	\$40
3	15	30
2	10	20
1	5	10

A double indemnity in case of death, dismemberment, loss of sight or total disability, resulting from injuries sustained while riding as a passenger on a railway passenger car, is provided for. In addition to the monthly payment, an initiation fee of \$5 and

dues amounting to \$2 annually are charged. A natural death benefit, computed at the rate of \$5 per month for each complete month of membership, and a total disability benefit of \$250 are provided for. At the end of the six-year period an accounting is provided for and the sum apportioned is applied to continue the certificate in force.

Preferred Accident and Health Plan

This plan was adopted in 1911. It provides for indemnities against accident exclusively, upon a payment of \$2 per month. Any member holding a certificate upon this plan may, by the payment of \$3 monthly in addition thereto, also receive weekly indemnity in case of illness, in accordance with the laws relating to the combination plan, at the rate of \$25 per week.

The following specific indemnities are provided for in the certificate issued:

FOR LOSS OF —	
Life (including accidental death by freezing, poisoning or the inhalation of gas, but excepting suicide, sane or insane)	\$5,000
Both hands	5,000
Both feet	5,000
Sight of both eyes	5,000
One hand and one foot	5,000
One hand and sight of one eye	5,000
One foot and sight of one eye	5,000
One hand	2,500
One foot	2,500
Sight of one eye	2,500
Thumb and index finger of either hand	1,500

If injury shall at once and continuously after the occurrence of the accident wholly disable the insured from performing any and every duty pertaining to his occupation, the order will pay a weekly indemnity of \$25 for a period not to exceed four years.

Six Year Dividend Endowment Business

The certificates unmatured on this plan at the time the order ceased writing this class of business have been nearly all transferred to the other classes of the order. On date of this examination there were, approximately, only 407 certificates on these

plans still in force, with 13 subject to reinstatement. Of this number 287 will mature subsequent to January 1, 1914.

The following table shows the dividends on these plans since the order began writing this class of business:

<i>Maturity periods</i>	<i>Dividend</i>
January to June, 1908.....	\$290 96
July to December, 1908.....	157 91
January to June, 1909.....	140 81
July to December, 1909.....	140 84
January to June, 1910.....	140 88
July to December, 1910.....	140 05
January to June, 1911.....	132 51
July to December, 1911.....	133 26
January to June, 1912.....	115 84
July to December, 1912.....	104 13
January to June, 1913.....	89 90
July to December, 1913.....	89 79

MERGERS

Fraternal Life and Accident Association

On December 29, 1911, the Fraternal Life and Accident Association, of Richmond, Va., was merged with this order. This merger resulted in the acquisition of approximately \$42,000 of gross assets and 4,000 members carrying about \$4,000,000 insurance.

The assets taken over, with the interest accruing thereon and the assessments collected from such members, are held as a trust fund to be used for the benefit of this class exclusively.

The number of members of this class remaining on the date of this examination was found to be 2,068 with about \$2,000,000 insurance.

Assurance League of America

On December 10, 1912, a contract of merger was finally consummated between this order and the Assurance League of America, a fraternal organization of New York City. This action resulted in the acquisition of gross assets amounting to approximately \$221,000, with liability for death claims amounting to over \$43,000. The number of members taken over was 838, carrying approximately \$2,772,000 insurance. The num-

ber of members remaining on date of this examination was 699 with approximately \$2,079,000 insurance.

The membership in this class is being carried separately, and the amount of assets acquired, together with the mortuary assessments received monthly from these members are duly credited and used only for the benefit thereof. The actual securities taken over have all been either sold or hypothecated, in order to meet the claims of the order in all its departments. However, the order's remaining assets, consisting mostly of mortgage loans, are (at present) ample to protect the credit of this class.

The interest on the assets of such members is not credited thereto until the end of each year, when an apportionment among the several groups of members is made by the actuary employed. In this way the certificates receive the credit necessary to maintain the reserve thereon. For the purpose of this report I have made an apportionment of the interest earned on the assets of the order since January 1 of this year. The method followed was to distribute the total interest to all the funds entitled thereto on the basis of the mean credit to each fund for the period. It was found that the amount due the above class on this account is \$5,931.96, and this amount has been credited accordingly in the statements of this report.

All the members of the Assurance League on the date of this examination were on the American Experience $3\frac{1}{2}$ per cent. rates, applied at attained ages at the time of accepting same, except forty members carrying in the aggregate \$175,000 of insurance, who still hold certificates in the step rate class. These members are being assessed with one full extra payment each month, and have been since March of this year. Notwithstanding, the death rate in this class has been much heavier than the assessments actually levied, as will be shown by the table given below. These members still have the opportunity of transferring to one of the other classes at the new rates and of choosing one of the four options offered in the payment of assessments. The present average age of this class is approximately 65 years.

The following table shows the loss incurred on this business by classes since merger (December 10, 1912–September 30, 1913, inclusive):

<i>Classes</i>	<i>Mortuary assessments levied including liens charged with interest</i>	<i>Amount of losses incurred</i>	<i>Increase in reserves</i>	<i>Gain</i>	<i>Loss</i>
Step rate...	\$10,615 19	\$15,000 00	.....	.....	\$4,384 81
Level prem.	5,434 79	500 00	\$2,697 00	\$2,251 79	.....
Options ...	76,802 50	78,763 92	34,180 00	.....	36,141 42
Totals..	<u>\$92,852 48</u>	<u>\$94,263 92</u>	<u>\$36,877 00</u>	<u>\$2,251 79</u>	<u>\$40,526 23</u>

The above table does not take into account interest earned on investments, for the reason that there is no data at hand on which to base a fair distribution among the three groups. The interest apportioned to the whole class for the period from January 1 to September 30 is \$5,931.96, and this should be considered in arriving at the net loss.

From these figures it is apparent that the net loss on the whole business since merger was approximately \$32,000.

DEFICIT IN GENERAL FUND

Some years ago the management of this order began borrowing cash from the benefit (dividend) fund to be used for general expenses. As heretofore pointed out, this practice should have been discontinued. However, the examination of 1910 disclosed the fact that benefit funds to the extent of approximately \$157,000 had been so used without any probability that the general (expense) fund would be able to return the same.

It appears that the by-laws of the order were amended in 1909 by which the Supreme Council was authorized to transfer such amounts from the benefit fund to the general fund as may be required at any time to cover any deficiency therein, but at the hearing before the Superintendent of Insurance, held prior to the filing of the report of the examination above mentioned, it was understood that the officers would cease the further use of the benefit fund for expense purposes. It was admitted that the general fund could not return the cash already taken and, under all the circumstances surrounding the matter, there was nothing else to do but charge off the amount of the total overdraft to the dividend certificate holders, deducting from each dividend the pro rata share of the loss. This was done, the result of which,

to a large extent, was the decrease in the subsequent dividends shown in the above table.

It developed at the next examination, made as of January 31, 1912, that the management had continued using the benefit fund for expenses, and that the total overdraft then existing amounted to \$245,628.50. This amount included \$200,000 which had been actually transferred by resolution of the Supreme Council, of which \$105,680 had been made up by deductions from dividends on maturing certificates, leaving a balance on this account of \$94,320. It also included \$9,178.80 paid to that date for the expense of a thorough audit of the order's books, which the management claimed ought properly to be charged to the benefit fund; \$7,062.93, the then existing ledger deficit; \$30,101.06 the balance of accounts receivable which represented practically a total loss; \$8,366.69, the amount invested in furniture and fixtures, and \$97.82 advances to branch offices.

This condition was severely criticized in the report on this examination, and at the hearing thereon the management pleaded for the Department's help in readjusting the order's business on new lines, and stated that the running expenses of the order would be so adjusted to the new conditions that the management could thereafter conduct the order's business within the law and use for expenses only the revenues collected from members for such purposes, according to the contracts entered into with them.

It was impressed upon the officers that, under no circumstances, would the Department tolerate the further violation of the law, and as the result the following promise was made in writing by the Supreme Secretary, Arthur F. Bouton:

"ROXBURY, N. Y., May 7, 1912.

Hon. W. T. EMMET, *Superintendent of Insurance, Albany, New York:*

DEAR SIR.—In accordance with our understanding at yesterday's hearing, the use of the funds paid in by members of The Order of the Golden Seal holding certificates upon the old plans and placed in the Benefit Fund, for expense purposes, will be discontinued and no further expenses will be paid therefrom except the balance to be paid Mr. S. H. Wolfe, Consulting Actuary, for the Audit, the expenses incident to your examination and the hearing thereon, and the amounts already used as shown on page 25 of Mr. Diefendorf's report. * * *

Yours respectfully,

ARTHUR F. BOUTON."

Despite the above agreement, I find that the practice of using the benefit fund for expenses has continued, and that the total amount so used to date is the sum of \$332,768.54. Of this amount the sum of \$292,442.08 has been deducted from dividends of members, leaving a balance still unprovided for of \$38,866.46. As an offset against this amount there will be credited to the general fund the sum of, approximately, \$7,425.33, representing assessments in process of collection from all classes of members on date of this examination.

The figures making up the above items, save the one last above mentioned, are shown as follows:

	<i>Debits</i>	<i>Credits</i>
Total deficit in general fund as shown by report of last examination	\$245,628 50	
Total auditing expense.....	18,365 68	
Increase in ledger deficit in general fund (Northern Department)	14,239 02	
Increase in ledger deficit in general fund (Southern Department)	13,632 30	
Disbursements made and carried as ledger assets.....	24,702 55	
Amount taken from transfer equities of dividend certificates over the actual cost to transfer same	12,310 93	
Transfer expenses for 1913 not yet carried to general fund	1,329 56	
Due mortuary fund on account of first year claim	1,000 00	
Amount deducted from dividends.....		\$292,342 08
Amount unprovided for.....		38,866 46
	\$331,208 54	\$331,208 54

The amount unprovided for, \$38,866.46, will be slightly increased by certain adjustments still undetermined, hereinafter shown.

It is my opinion that the Department should rule that no part of the amount last above stated, or any additions thereto, should be deducted from dividend certificates yet to mature, but that the same should be made up and returned to the benefit and mortuary funds respectively, as the interest of each appears, from future savings in the general fund as a result of strict economy.

TRANSFER OF DIVIDEND BUSINESS

In June of 1912 the order began transferring the certificates of all consenting members on the six-year dividend endowment plan to other plans of the order, offering them the choice of the following options:

(1) Transfer to the death benefit plan and have the equity applied to extend the insurance.

(2) Transfer to the combination plan with all payments made for one year and take the balance of their equity in cash. Consent of all the members of a dividend class is required for this option.

(3) Transfer to the combination plan receiving a combination certificate bearing the same date as the present certificate; at the end of the six-year period a dividend is computed and applied as extended insurance.

All the members in the dividend classes remaining at the time such options were offered, except those whose certificates have actually matured, have allowed their certificates to be transferred, save 407, as hereinbefore shown.

LEGAL FEES

During the year 1912 the order paid for legal services and disbursements connected with the questions involved in the transfer of members from the old cash dividend plans, at hearings before the Attorney-General and the Insurance Department in relation thereto, and in connection with the last previous examination of the order and the hearing thereon, the sum of \$10,025.90. Of this amount \$6,000 was paid to Henry A. Yetter, Esq., of Binghamton, N. Y., and \$4,025.90 to Edward A. Isaacs, Esq., of New York City.

Arthur F. Bouton, supreme secretary of the order, was examined under oath by your examiner concerning these transactions, and I file with this report the minutes of his testimony. It will be noted that he testified this money was paid in good faith for legal services rendered and that he has no knowledge or belief that the same was in any way divided with any other person or persons.

The total amount disbursed for legal services covering the nine months of this examination is \$3,536.95. This includes the regular annual fee of \$1,000 paid the counsel. It also includes \$1,108.70 paid from the general fund of the Assurance League in connection with pending claims.

The total amount paid for legal services from January 1, 1912, to September 30, 1913, a period of twenty-one months, is \$19,748.54. This amount includes \$10,000 paid in connection with the merger with the Fraternal Life and Accident Association of Richmond, Va., and \$4,350 with the merger with the Assurance League of America.

I believe that the payment of moneys for legal services on this extravagant scale is unwarranted by the condition of the order, especially in its expense fund, taking into consideration the nature of the services rendered.

TRANSFERS FROM BENEFIT AND MORTUARY FUNDS TO GENERAL FUND

I find that this year the order transferred from the benefit fund and the mortuary fund to the general fund, \$3,437.40 and \$216.37 respectively. It was said that these amounts represent 5 per cent. rebate allowed members who have paid one year's assessments in advance, as provided for in the by-laws; that as the same had been paid from the general fund by reason of deductions, inasmuch as full credit had been given the benefit and mortuary funds for the assessments when received, it was only equitable to make the said re-adjustment. This would be so, were it not for the fact that the benefit fund is not entitled to the gross assessments. In other words, the first six months' assessments on a combination certificate are credited to the general fund, and on a death benefit certificate the total first year's assessment has been so credited. Again, certain portions of all subsequent year's assessments are credited to the general fund. It is clear, then, that in transferring the amount representing the 5 per cent. rebate from the two funds, consideration should have been given to the fact that the general fund ought to bear its proportionate share of said rebate.

This was not done, and I recommend that the management correct the figures and return to the said funds the amount from the general fund which they are entitled to in the premises.

I have not included this item in the deficit of the general fund, above shown, for the reason of the time it would consume in arriving at the corrected figures.

TRAVELING EXPENSES

The amount disbursed for traveling expenses covering the period of this examination is \$13,501.84. This does not take into account certain items incurred in connection with the transfer of certificates, charged to transfer expense account, nor certain miscellaneous items charged elsewhere.

The total expense incurred for traveling, as charged to the regular traveling expense account, from January 1, 1912, to September 30, 1913, a period of 21 months, is the sum of \$26,136.32.

The bills rendered for traveling expenses incurred could not be satisfactorily audited, for the reason that no vouchers of any kind are filed therewith, nor are the dates and items set forth therein definite enough to verify with any degree of accuracy the charges made, to say nothing of the reasonableness of the same. I attach hereto as exhibit "B" an exact copy of the bill presented by the Supreme Secretary and paid by the order this year to reimburse him for expenses incurred during the year 1912.

SALARIES OF OFFICERS

The salaries of officers are fixed each January for the preceding year. A resolution of the Supreme Council is on record authorizing advances through the current year not to exceed the rate in any case paid for the preceding year.

The following schedule shows salaries voted officers and members of Supreme Council in January, 1913, for the year 1912:

	Officer	Supreme council	Executive Committee	Total
Hill Montague, Supreme Commander.....	\$3,200 00	\$400 00	\$400 00	\$4,000 00
Arthur F. Bouton, Supreme Secretary.....	3,200 00	400 00	400 00	4,000 00
J. Friable Bouton, Supreme Treasurer.....	1,600 00	400 00	.....	2,000 00
W. G. Duke, Vice Commander.....	400 00	400 00	400 00	1,200 00
W. H. Parker, Supreme Medical Examiner.	1,600 00	400 00	400 00	2,400 00
A. R. Ellis, Assistant Supreme Medical Examiner.....	2,000 00	.....	.....	2,000 00
J. W. Monroe, Supreme Councilman.....	1,833 35	400 00	.....	2,233 35
J. L. Keator, Supreme Council.....	.....	400 00	400 00	800 00
C. E. Nichols, Supreme Council.....	.....	400 00	400 00	800 00
W. D. Hill, Supreme Council.....	.....	371 11	.....	371 11
M. B. Ferguson, Supreme Council.....	.....	371 11	.....	371 11
S. S. Crocker, Supreme Council.....	.....	371 11	.....	371 11
E. R. Kingsley, Supreme Council.....	.....	371 11	.....	371 11
W. H. Sandwick, Supreme Council.....	.....	400 00	.....	400 00
R. B. Craft, Supreme Council.....	.....	400 00	.....	400 00
L. B. Gleason, Supreme Council.....	.....	400 00	.....	400 00
Totals.....	<u>\$13,833 35</u>	<u>\$5,884 44</u>	<u>\$2,400 00</u>	<u>\$22,117 79</u>

LOSS ON INVESTMENTS

The total loss on investments incurred on assets sold, save one item, from January 1, 1913, to September 30, 1913, a period of nine months, is the sum of \$26,951.91. This includes \$5,575.56, incurred on securities of the Assurance League. The amount of \$4,155.32 represents additional loss on the bonds of the Delhi Electric Company. It appears that the order had originally \$15,000 invested in these bonds and in 1907 the interest thereon was defaulted. Foreclosure proceedings were later brought and a receiver appointed. It developed that the property was finally purchased by a representative of the order and reorganized through Coler & Company of New York City. The loss charged off by the order at that time was \$8,040.55. I find now that, in the receivership proceedings, the order became liable for certain bills and costs amounting to the said sum of \$4,155.32, which was paid this year. The amount still owing Coler & Company on this matter is \$4,232.98 which is guaranteed by the order.

Upon the reorganization of this company, under the name "Delaware County Light and Power Co.," the order invested \$25,000. There is no market for these bonds, but the department's appraiser has given them the nominal value of 75 per cent. which is carried in this report.

It would appear, therefore, that the total loss on this transaction, including the shrinkage in market value of the bonds now owned, and the amount due Coler & Company, is \$22,678.85, not including loss on interest account.

DEFALCATION OF FORMER TREASURER

In the report of the audit of the company's books by S. H. Wolfe, Esq., in 1912 it was found that former treasurer, Frank M. Andrus, was short in his accounts with the order to the extent of \$29,979.61. It appears that Mr. Andrus died soon after the final report of this audit was submitted, and, according to the statement of assets and liabilities sworn to and submitted by one of the executors, C. L. Andrus, on file with this department, the former treasurer's estate is insufficient to pay all outstanding claims in full, not including any portion of the said claim of the order. It further appears that the order's claim, except the

amount of \$3,531.94, was rejected by the executors and would be allowed by them only after an adverse decision by the highest court has been rendered. Moreover, a counter-claim was presented for certain legal services alleged to have been rendered by the former treasurer, amounting to \$4,300. In view of this condition the management of the order and the said executors have entered into an agreement releasing each party from all claims or demands either of them may have against the other.

REAL ESTATE

The real estate owned by the order on date of this examination comprised three parcels carried on the books of the Northern Department, all of which are located in the State of West Virginia. One parcel, a large farm, was recently acquired by foreclosing the mortgage which the order held against the property. At the time of this examination the latter property was still being carried as a mortgage on the order's books, but in this report it is entered as real estate.

For the purposes of this report the real estate in the Northern Department is carried at its book value.

The order has sold, under contract, three parcels of real estate. I have allowed credit for such items at the selling prices, less the amount paid thereon.

In the Southern Department the order owns seven parcels of real estate acquired by merger with the Fraternal Life and Accident Association of Richmond, Va., save that the order has since erected, on land so acquired, two apartment houses. This property is all located in the city of Richmond, Va.

At the time of the last department examination, the property held in the Southern Department was appraised and the aggregate value thereof was in excess of the book value by \$2,348.79. This amount has therefore been credited in the statement of this report as a non-ledger asset.

MORTGAGE LOANS

The order held, on the date of this examination, 136 mortgages in both departments, including 12 so-called "ground rents." The loans range from \$100 or less to \$13,000. Three mortgages ag-

gregating \$14,850 were on deposit with the National Bank of Stamford as collateral security for a loan of \$10,000. Two mortgages, aggregating \$15,500 were in the hands of an agent for sale, and one for \$2,500 was subsequently reported sold. Another mortgage for \$537.51 and accrued interest is a second lien and it is said to be of no value. It has therefore been deducted as an asset not admitted.

BUSINESS IN FORCE

The following table shows the number of certificates and amount of insurance in force September 30, 1913. The amount of insurance in the Southern Department includes only regular mortuary plans, while the certificates include all classes. However, the amount of insurance on the other plans is comparatively small.

	<i>Certificates</i>	<i>Insurance</i>
Northern Department	7,758	\$12,883,250
Southern Department	2,751	2,120,250
Assurance League	699	2,079,136
Totals	*11,208	\$17,082,636

ORDER OF THE SONS OF ITALY IN AMERICA

NEW YORK, N. Y.

Examined on organization.

Report dated October 1, 1913.

Examiner: Clarence J. Norton.

This order is practically a reorganization of a membership association incorporated in 1905 under the law of this State, and known as the "Sons of Italy." It has a membership, I am informed, numbering approximately 25,000, located in the States of New York, Pennsylvania, New Jersey, Massachusetts and the District of Columbia. It is carrying on business through the subordinate lodge system and is paying small benefits constituting life and disability insurance, said to consist of a funeral benefit of \$100 and disability benefits ranging from \$7 to \$10 per week, paid by the local lodges respectively.

* Includes 420 certificates under suspension

In the year 1912 the officers of this organization, being convinced that the business being transacted is beyond the power conferred to it in its articles of incorporation as a membership corporation, proceeded to take the necessary legal steps to organize a fraternal beneficiary order under article VII of the Insurance Law of this State. As a result a preliminary certificate of incorporation was issued to the new organization, the "Order of the Sons of Italy in America," under date of October 23, 1912.

Since the latter date the incorporators have been busy in securing applications and insurance and in organizing subordinate lodges, to meet the requirements of the law, and now claim to be entitled to a certificate authorizing the order to commence business.

From the records and documents produced, together with the statements of the so-called supreme venerable, Mr. Francis Mezzatesta, who is also acting as attorney in the incorporation of this order, I find that 595 persons have subscribed in writing to become members of the said new organization and have applied for insurance therein as follows:

<i>Applicants</i>	<i>Insurance per capita</i>	<i>Total</i>
543	\$1, 000	\$543, 000
5	2,000	10, 000
29	500	14, 500
11	250	2, 750
7	100	700
Totals 595		\$570, 950

I find attached to each application, or in connection therewith, a memorandum signed by persons representing themselves to be regular physicians, certifying, in substance, that they have examined the said applicants and found them in good health. In no case is there a regular detailed medical examination report on an applicant on file. All the examinations and reports thus made have been approved at practically one time by the chief medical examiner, without further inquiry or detail.

I find that there was on deposit to the credit of the said order, to wit, the "Order of the Sons of Italy in America," in The Bowery Bank of New York, at the close of business September 15, 1913, the sum of \$3,023.66, according to a certificate issued

by said institution now on file in this Department, and I am informed that this amount was paid in by the applicants for membership and insurance—excepting certain amounts which were paid in by local lodges of the old membership association amounting to about \$400—that each applicant paid in cash not less than one regular monthly payment as per table rates adopted to be regularly collected of members to maintain the mortuary fund of said order, and that at least 500 of such applicants have paid in such cash on the basis of \$1,000 of insurance to be effected in each instance, plus a membership fee.

In explanation of the manner in which the said cash was collected, it was said that many of the applicants did not pay in directly the cash aforesaid, but that it was loaned to them by the treasurers of various local lodges of the old membership corporation out of the funds of the treasury respectively, the same being remitted directly by the said treasurer to the supreme venerable of the new organization on behalf of certain specified applicants, with the understanding that the amounts so remitted would be returned to the local treasury, respectively, by the applicants personally from time to time, as fast as it could be collected; that this arrangement was made with a thorough understanding and approval by the members of the local lodges affected, in order to facilitate the completion of the new organization.

I am further informed that 28 subordinate lodges have been organized, into which all the said 595 applicants have been initiated; that the ritual adopted is the same as is in use by the lodges of the old membership association; that the said applicants were considered initiated in the new lodges by repeating the obligation previously taken in the old organization, and that the new lodges have the same officers and bear the same names as the old ones.

It would seem highly probable that, under such circumstances, the legal status of the local lodges of the new organization is uncertain, inasmuch as the line of demarcation as to what constitutes the old lodge and the new one is somewhat imaginary.

Insurance Benefits and Rates

The insurance benefits so far adopted by the order are on the ordinary life plan and the proposed certificates will provide for amounts from \$100 to \$2,000.

The rates exhibited to your examiner, said to have been adopted, are slightly in excess of those based on the National Fraternal Congress table with 4 per cent. interest.

Officers

The present officers of the order are as follows:

Francis Mezzatesta, Supreme Venerable.

Rosario Giaimo, Supreme Secretary.

Manfredi Benanti, Supreme Treasurer.

POLISH NATIONAL ALLIANCE

BROOKLYN, N. Y.

Examined to ascertain condition December 24, 1913.

Report dated February 9, 1914.

Examiners: Clarence J. Norton and J. Frank Tucker.

Ledger Assets

Book value of real estate less incumbrance....	\$4,500 00	
Mortgage loans on real estate.....	24,000 00	
Cash in banks.....	12,003 39	
Cash in office.....	75 00	
Total ledger assets.....		\$40,578 39

Non-Ledger Assets

Interest accrued on mortgages.....	266 59	
Total admitted assets.....		\$40,844 98

Liabilities

Death claims, due or in process of adjustment..	\$2,854 00	
Official publication	260 75	
Total liabilities		3,114 75
Balance of assets over liabilities.....		\$37,730 23

The income and disbursements for the period from January 1, 1913, to December 24, 1913, inclusive, were as follows:

Ledger assets December 31, 1912..... \$28,134 09

Income

Assessments \$22,802 21
 Fees, initiation and certificate..... 1,148 00
 Official publication 2,450 13

Total income from members..... \$26,400 34
 Sale of lodge supplies..... 357 37
 Picnic receipts and special collection..... 1,012 61
 Rent 565 75
 Interest 1,367 71

Total income 29,703 78

Total \$57,837 87

Disbursements

Death claims \$12,200 00
 Management and miscellaneous expenses..... 4,161 16
 Salaries of officers and trustees..... 881 50

Total disbursements 17,242 66

Balance, ledger assets December 24, 1913, as per records..... \$40,595 21
 Ledger assets December 24, 1913, as per examination..... 40,578 39

Deficiency \$16 82

ASSETS*Real Estate:*

The society has purchased for use as a home office, a three story and basement brick building situated at 142 Grand street, Brooklyn, N. Y. The purchase price was \$8,000, of which \$2,000 was paid in cash. A first mortgage of \$5,000 standing against the property was assumed, and a second mortgage given for \$1,000. In December, 1913, \$500 was paid upon the latter, making the present liens against the property total \$5,500.

In addition to the cash payments upon the purchase price, the society has expended for the cost of acquisition and taxes, expenses and repairs the sum of \$2,286.22. Of this amount \$2,000 was added to the cost of the building and \$286.22 charged to expenses. The value of the property, according to the society's records, is therefore \$10,000, and this amount has been given as the present value of the property by the appraiser representing this department upon this examination.

The two upper floors of this property are occupied as dwellings, the gross rental received for the same being \$41 per month. The ground floor and basement, with the exception of the space used for the society's office, is occupied by a Polish newspaper which pays \$25 per month rent. The space occupied by the society is estimated by them to be worth \$15 per month. In the foregoing financial statement, no rent for the space occupied by the society has been taken into consideration.

The investment in this property has been made from the proceeds of the building fund.

Mortgage Loans:

The real estate mortgaged to the society consists of 8 parcels, all of which have been especially appraised by a person designated by this department in course of this examination, the report of which is submitted separately. The appraised values are all at least 50 per cent. more than the amounts loaned thereon, hence the loans comply with the provisions of law.

The mortgage papers were examined in the usual way and found to be in order.

We find, however, that the treasurer of the society has received a loan from the society for \$1,200, for which he has given a bond and mortgage. We beg to call your attention to the fact that a loan by an insurance corporation to an officer thereof constitutes a violation of section 36 of the Insurance Law.

Bank Deposits:

The greater portion of the society's cash assets is deposited in savings banks. Such deposits were verified by the bank pass books. The checking account was verified by certificate obtained from the bank and duly reconciled with the records of the society.

Deficiency

The deficiency shown in the financial statement of this report was ascertained as follows:

The actual cash in office was \$75. The amount, according to the society's records, should have been \$71.38. We find, however, that interest on the checking bank account, amounting to

\$20.44 does not appear in the income as shown by the books, but is included as an asset in the bank balance. We have entered this item as income in the statement of this report. Hence the cash should therefore have been \$16.82 more, in order to meet the total balance of ledger assets on the date of this examination.

We recommend that the above amount, unless it can be shown that an error has been made, be returned to the society by the person responsible therefor.

Liabilities

Death Claims:

There are two death claims due and unpaid. We are informed that the beneficiaries are minors. We recommend that the amounts due them be deposited in a savings bank at interest until the beneficiaries become of age or guardians are appointed.

There is one resisted claim. We are informed that the claimant was under suspension at the time of death. The case is now in the courts.

The above information was given verbally by the secretary. The records are kept in the Polish language. No death claim register is kept but we are informed that such record will be supplied beginning with the year 1914.

Official Publication:

As more fully explained elsewhere in this report, the society has agreed to pay over to the publishers of the official organ all subscriptions for same received from members. The amount appearing as a liability in the foregoing financial statement represents such collections still in the hands of the society.

Funds

The constitution provides that three separate funds shall be maintained by the society, viz., the benefit fund, used for the payment of death benefits; the expense fund, used for administration expenses, and the reserve fund, accumulated from interest on investments and bank deposits, and used only in emergency for the payment of death claims. A publication and a building fund are also carried upon the books.

A statement of the income and disbursements of the various funds for the period of this examination follows:

Mortuary Fund:

Balance December 31, 1912..... \$22,883 90

Income

Assessments 20,912 66

Total \$43,796 56

Disbursements

Death claims 12,200 00

Balance December 24, 1913..... \$31,596 56

Expense Fund:

Balance December 31, 1912..... \$1,165 40

Income

Assessments, fees, rents and interest..... \$3,337 96

Sale of lodge supplies..... 357 37

Total income 3,695 33

Total \$4,860 73

Disbursements

Expenses of management..... \$2,451 86

Transferred to building fund..... 2,395 38

Total disbursements 4,847 24

Balance December 24, 1913..... \$13 49

Reserve Fund:

Balance December 31, 1912..... \$2,954 19

Income

Interest 1,270 22

Balance December 24, 1913..... \$4,224 41

Publication Fund:

This fund is used as a clearing account for the subscriptions to the official newspaper of the society; all receipts therefore being

turned over to the publishing association. The income and disbursements for the period covered by this examination were as follows:

Balance December 31, 1912.....	\$115 20
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Income

Assessments	2,450 13
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Total	\$2,565 33
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Disbursements

Amount turned over to publishing association.....	2,304 58
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Balance December 24, 1913.....	\$260 75
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Building Fund:

The purpose of this fund is stated elsewhere in this report under the heading "real estate."

Balance December 31, 1912.....	\$1,015 40
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Income

Assessments	\$348 67
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Picnic receipts and special collection.....	1,012 61
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Interest on bank balance.....	14 16
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Transfer from expense fund.....	2,395 38
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Total income	3,770 82
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Total	\$4,786 22
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Disbursements

Real estate, taxes and expenses.....	286 22
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Balance December 24, 1913.....	\$4,500 00
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Recapitulation of Fund Balances December 24, 1913

Mortuary	\$31,596 56
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Expense	13 49
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Reserve	4,224 41
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Publication	260 75
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Building	4,500 00
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Total ledger assets.....	\$40,595 21
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Rates

The following table shows the assessment rates now in force:

<i>Age at entry</i>	<i>Initiation fee</i>	<i>Certificate fee</i>	<i>Mortuary assessment per \$100</i>	<i>Monthly Payments</i>			<i>Building fund</i>
				<i>Expense account</i>	<i>Publication</i>		
<i>Male</i>							
18-35	\$1 00	10c	10c	4c	8c		1c
35-45	2 00	10c	15c	4c	8c		1c
45-50	3 00	10c	20c	4c	8c		1c
<i>Female</i>					<i>Mar. ied</i>	<i>Single</i>	
16-35	0 50	10c	10c	2c	0	8c	0
35-45	1 00	10c	15c	2c	0	8c	0
45-50	1 50	10c	20c	2c	0	8c	0

We are informed that at a meeting to be held in February, 1914, the management hopes to secure the adoption of a table of rates approximating the National Fraternal Congress rates with 4 per cent. interest assumption.

Benefits

Certificates are issued in amounts from \$100 to \$900. Male members from 18 to 40 years of age may be insured for from \$100 to \$900; from 40 to 45 years of age, from \$100 to \$400; and from 45 to 50 years, \$100 and \$200 only. Female members from 16 to 40 years of age may be insured for from \$100 to \$300; from 40 to 45 years, \$100 and \$200 and from 45 to 50 years, \$100 only.

Death within four months limits the benefit to 25 per cent. of the face of the certificate; within eight months to 50 per cent. and within one year to 75 per cent.

Misstatement of age limits the benefit to 50 per cent. of the face of the policy. Material sickness, not disclosed when making application for insurance, will, if discovered within one year, void the policy; if discovered after one year 50 per cent. of the policy will be paid.

Organization and Membership

This society commenced business as a fraternal beneficiary organization under a final certificate of authority from the Superintendent of Insurance dated April 20, 1905. The main object of the society is the payment of death benefits to the beneficiaries of deceased members.

Both sexes are admitted to membership. The only limitations appear to be that they shall be in sound bodily health and "not opposed to the constitution of the Alliance or the Polish spirit."

There are at present seventy-one subordinate branches with a total membership of 4,157. These branches are located in the following states: New York, 55; New Jersey, 14; Michigan, 1; Wisconsin, 1. The amount of insurance in force is \$1,547,500.

Official Publication

The society owns thirty-seven shares of stock in a Polish newspaper corporation, the par value being \$10 per share. This stock is not carried as an asset, and therefore does not appear in the foregoing financial statement. The balance of the stock of this concern, we are informed, is owned by the subordinate branches.

The by-laws of the society provide that this paper shall be the official organ of the organization, but that it shall not be responsible for the expense thereof. Eight cents per month is collected from each member as the subscription price of the publication and, as before stated, this is paid over to the said corporation. Hence, there is neither gain nor loss to the society on this account.

Officers

The present officers of the society are as follows:

Frank Jannszewski, President.
John Burghardt, Vice-President.
Vincent G. Nowak, Secretary.
Felix J. Bozozowski, Treasurer.
Frank Rogozieuski, Trustee.
John Skowronski, Trustee.
Frank A. Belling, Trustee.
M. Olszanowicz, Director.
W. Kwasniewski, Director.
F. Bisztyga, Director.

The president, vice-president and treasurer receive an annual salary of \$200, \$100 and \$120 respectively. The secretary receives \$15 per week and ten cents for each application accepted. The trustees and directors receive \$1.50 per meeting. The directors also receive \$5 for each quarterly audit of the society's books.

The president, secretary and three trustees are bonded for \$1,000 each and the treasurer for \$2,000.

Recommendation

We respectfully recommend that, as soon as practicable, the financial records be changed so as to be thereafter written in the English language.

SERB FEDERATION "SLOGA"

NEW YORK, N. Y.

Examined to ascertain condition December 31, 1913.

Report dated April 7, 1914.

Examiner: John E. Diefendorf.

Ledger Assets

Book value of bonds.....	\$36,084 20	
Cash in bank.....	7,814 06	
Total		\$43,898 26

Non-Ledger Assets

Interest accrued on bonds.....	\$315 00	
Assessments in course of collection not over sixty days due.....	7,559 11	
Total		7,874 11

Gross assets	\$51,772 37
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Assets Not Admitted

Book value of bonds over market value.....	864 20
Total admitted assets	\$50,908 17

Liabilities

Death claims	\$21,080 61	
Sick, accident and settlement claims.....	7,285 00	
Claims due minors, etc., charged off the books as paid, equivalent deposited in trust in de- funct Pittsburg bank.....	5,413 65	
Amount overpaid by sub-assemblies.....	240 30	
So-called moral obligations consisting of certain claims against the old unincorporated societies approved by the convention.....	9,744 50	
Total liabilities		43,764 06

Balance or surplus to protect outstanding certificates.....	\$7,144 11
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A statement of the income and disbursements for the year ending December 31, 1913, is as follows:

Balance ledger assets December 31, 1912..... \$42,065 96

Income

Assessments	\$146,818 22
Serb Federation "Sloga," unincorporated.....	67 55
Initiation fees	5,742 50
Annual dues	7,916 00
Membership certificate fees.....	270 70
Sale of lodge supplies (books and badges).....	1,326 69
Interest on bonds.....	1,152 00

Total income 163,293 66

Total \$205,359 62

Disbursements

Claims, death	\$64,319 14
Claims, sickness and operations.....	21,100 00
Claims, accident	19,535 00
Claims, permanent disability or settlement..	10,275 00
Advance on account of permanent disability..	250 00
Claims of minors advanced from reserve fund	
on account of failure of Pittsburg bank.....	4,533 40
Serb Federation "Sloga," unincorporated, books	
and furniture	1,289 85
Serb Federation "Sloga," unincorporated (bal-	
ance of 1912)	548 00
Serb American Alliance	11,073 32
Lodge supplies (books and badges).....	1,101 60
Expenses of convention.....	20,703 56
Expenses supreme council and committees.....	1,792 45
Salary of supreme secretary.....	1,412 50
Salary of office employees.....	1,326 40
Legal expenses	808 75
Management and miscellaneous.....	1,392 39

Total disbursements 161,461 36

Balance ledger assets December 31, 1913..... \$43,898 26

Statements of the various funds, showing the income and disbursements of each for the year ending December 31, 1913, follow:

Beneficiary Fund

Balance December 31, 1912..... \$2,103 88

Income

Assessments	\$116,473 82	
Transferred from emergency fund on account of unpaid assessments levied.....	498 45	
Total income		\$116,972 27
Total		\$119,076 15

Disbursements

Benefits of all kinds.....	\$115,229 14	
Serb American Alliance, surplus assessments under section 94 (E).....	2,200 00	
Total disbursements		117,429 14
Balance December 31, 1913.....		\$1,647 01

Reserve Fund

Balance December 31, 1912.....	\$30,368 80
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Income

Assessments	\$10,513 30	
Interest on bonds.....	1,152 00	
Total income		11,665 30
Total		\$42,034 10

Disbursements

Claims of minors, etc., advanced from fund on account of failure of bank.....	4,533 40	
Balance December 31, 1913.....		\$37,500 70

Convention Fund

Balance December 31, 1912.....	\$5,932 26
--------------------------------	------------

Income

Assessments	\$14,306 80	
Membership certificate fees.....	270 70	
Total income		14,577 50
Total		\$20,509 76

Disbursements

Convention expenses	20,703 56	
Debit balance December 31, 1913.....		\$193 80

Emergency Fund

Balance December 31, 1912.....	\$3,171 60
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Income

Initiation fees (one-half)	\$2,870 75
Serb Federation "Sloga," unincorporated	67 55

Total income	2,938 30
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Total	\$6,109 90
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Disbursements

Serb Federation "Sloga," unincorporated	\$1,837 85
Transferred to beneficiary fund on account of unpaid assessments levied.....	498 45
Advance on account of permanent disability or settlement claim	250 00

Total disbursements	2,586 30
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Balance December 31, 1913.....	\$3,523 60
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Educational and Benevolent Fund

Balance December 31, 1912.....	\$470 77
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Income

Assessments	\$5,524 30
Initiation fees (one-half)	2,871 75

Total income	8,396 05
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Total	\$8,866 82
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Disbursements

Serb American Educational and Benevolent Alliance.....	8,873 32
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Debit balance December 31, 1913.....	\$6 50
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Expense Fund

Balance December 31, 1912.....	\$18 65
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Income

Lodge supplies	\$1,326 69
Annual dues	7,916 00

Total income	9,242 69
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Total	\$9,261 34
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Disbursements

Expense of management.....	\$7,834 09
Balance December 31, 1913.....	\$1,427 25

Recapitulation of Fund Balances December 31, 1913.

	<i>Debits</i>	<i>Credits</i>
Beneficiary fund		\$1,647 01
Reserve fund		37,500 70
Convention fund	\$193 80	
Emergency fund		3,523 60
Educational and benevolent fund.....	6 50	
Expense fund		1,427 25
Balance ledger assets.....	43,898 26	
	<u>\$44,098 56</u>	<u>\$44,098 56</u>

Organization

This society is practically an amalgamation of three voluntary associations of Servian immigrants in the United States, the merger taking place in the year 1909. In the year 1910 the organization was incorporated as a fraternal beneficiary society under the laws of this State, and received authority to transact business from the Superintendent of Insurance on May 29, 1911.

Objects:

The objects of the society, briefly, are to provide insurance benefits for its members in the event of death or temporary or permanent disability as the result either of disease, accident or old age; to extend voluntary aid, benefits and relief to persons of Servian nationality, race or descent, whether or not members of the society; to extend fraternal blessings in divers ways, looking to moral, mental and physical improvement of its members and persons of the same race.

Government:

The supreme governing or legislative body is the convention of delegates representing the subordinate lodges or so-called sub-assemblies, which meets regularly once in every three years, the last meeting being held at Denver, Colo., in June, 1913.

The Supreme Council:

The exercise of the general control and management of the affairs of the society is vested in the Supreme Council, which body, under the amended by-laws, is composed of ten members as follows: Five members constituting the Supreme Executive Board and five members constituting the Supreme Board of Control.

The Supreme Executive Board:

This body is composed as follows: The supreme president, supreme vice-president, supreme secretary and two members especially elected by the convention.

Its principal powers and duties are to carry out, within the limitations of the charter and by-laws, measures adopted by the convention; to manage and control all property of the society; to promote the establishment of new sub-assemblies; to supervise the entire activity of the sub-assemblies and guide them in their work, and direct the collection of assessments as provided by the by-laws.

The Supreme Board of Control:

This body constitutes a component part of the Supreme Council. Its principal functions are to control the administrative work of the society, examine the financial affairs at least once each year and report to the Supreme Council and the convention.

The Supreme Judicial Court:

This body consists of three members elected by the convention. It constitutes a trial court to hear and pass upon complaints against boards, officers, sub-assemblies and members, and render judgment in each case, subject to the right of the defendant to appeal to the convention under certain conditions.

Executive Officers:

The supreme president, supreme vice-president and supreme secretary constitute the executive officers of the society, and their rights and duties are defined by the by-laws.

*Membership and Benefits**Membership:*

The society admits to membership persons of the Servian race, either by birth or descent, between the ages of 18 and 47, inclusive, who have passed a prescribed medical examination.

Benefits:

The by-laws provide that, in the event of death, the beneficiary of each member shall be paid the sum of \$800; and, in the event of sickness, a member shall be given a benefit of \$30 per month after an illness of three months' duration, the first three months being provided for by the sub-assemblies.

The by-laws also provide specific indemnities in the event of certain accidents, and for those accidents not specified the Supreme Executive Board determines the amount to be allowed.

It appears that when a single benefit of \$800 is allowed a member for permanent disability his membership ceases. Such cases are termed "settlement claims."

Rates

The assessments now being levied are on the so-called post mortem plan, that is, the death claims incurred each month are paid from assessments collected from the members pro rata, based on the number of deaths, regardless of age. The sick and accident claims are paid from special assessments, and the cost management, maintaining official organ and the educational and benevolent work is paid from separate funds respectively.

At the last convention, however, a new plan was adopted for the collection of assessments to provide for the payment of mortuary claims. The new plan is based on monthly rates varying according to the age of the members, and is expected to be put in force on or about April 1 of this year.

The rates under the new plan are as follows:

<i>Age</i>	<i>Rate</i>
18-28	\$0 48
28-38	53
38-47	43

Members who are now 47 years of age or over will be required to pay \$1.60 per month, regardless of age, and the difference between this figure and the rate on the National Fraternal Congress Table at 4 per cent., as applied to each member's age, will be made up, if possible, by transferring from the funds derived from annual fees the equivalent of 25 cents per member. It is said no persons over 47 years of age will be admitted to membership in the future.

Besides the assessments for death benefits on the above rates, there will be collected (monthly) 62 cents per member to cover sick and accident claims; 20 cents for so-called final settlement claims, and 5 cents for expenses of the official organ.

It is the opinion of your examiner that assessments collected on the above basis will not prove to be high enough to meet the claims in this society indefinitely, and that another adjustment will be necessary some time in the future.

Scope of Examination

This examination consisted of ascertaining the financial condition of the society, as near as possible, as of December 31, 1913, with a verification of all assets held on said date, and a substantial testing of the accuracy of the income and disbursements for the year 1913.

It also included a special investigation of the society's affairs touching particularly the rights and duties of officers under the constitution and by-laws—this by reason of bitter dissensions existing among the management growing out of misunderstandings as to the rights, duties and conduct of certain officers and members of committees. This matter will be discussed latter in this report.

Management

I find the management of the society to be conducted, as a whole, in a way which deserves little criticism, in fact there are, in my opinion, few, if any, fraternal societies in this State composed of foreign born persons which conduct their affairs on as good standards and system as does this one, with regard to the handling of financial matters.

I find the books and records of the supreme secretary kept in a modern way, under a double entry system which is adequate and comprehensive, showing the result of efficient and faithful work.

There is one matter of which some criticism should be made, and that is the lack of filing of monthly remittance blanks by certain sub-assemblies. I find that many of the officers of the latter send remittances to the supreme offices without even an accompanying letter. As a result it is difficult to verify the

accuracy of the income from assessments. This is not the fault of the supreme secretary, but is due to the fact that it is exceedingly difficult to teach the local officers the necessity of complying with the rules in this respect.

However, the accuracy of such income was tested in various ways, made possible by reason of the elaborate system of book-keeping in use, and from this it is reasonable to infer that the total income reported is correct.

We find that the executive and administrative work of officers and members of committees is carried on efficiently as a whole, taking into consideration the many problems which constantly confront an organization of this kind.

Settlement of Claims

One of the most serious problems with which the society has to deal, in my opinion, is the settlement of claims of beneficiaries in such a way as will best conserve their welfare and be most helpful to them in their struggle for existence after the breadwinner of the family has passed away.

I find that there is in use at the present time a method of paying benefits which is wrong in principle and subject to grave abuses, and yet, by reason of the peculiar circumstances attending many cases, the same seems difficult to remedy. I find that in settling the majority of death claims there is deducted from the amount due the beneficiary the funeral expenses of the member in each case, checks being sent direct to creditors in settlement of various bills in connection with the funeral, and one, representing the balance of the claim, to the beneficiary.

It appears that this practice is followed in pursuance of the directions of members printed in their applications for membership, which read as follows:

"I direct that there be paid out of the death benefit to which I may be entitled (a) for my funeral expenses, not exceeding \$100; (b) for a cross on my grave, not exceeding \$50."

It seems that such amounts may be changed at the direction of the member. Very often, however, funeral bills are presented aggregating a much larger amount than specified in the application, sometimes amounting to a third or more of the entire benefit,

and the same are paid as a matter of course, without any formal approval filed by the beneficiary.

It was also found that in many cases no vouchers or receipts from undertakers, etc., are returned for filing.

In explanation of such methods it was stated by the officers that in many instances the beneficiaries of members are not living in the United States, and, in the event of the death of such member, it devolves upon the officer of the sub-assembly to look after his proper burial; that by reason of a peculiarity of Servians, funeral expenses were often much in excess of what they relatively should be.

It is obvious that the methods described are subject to grave abuses and it is the duty of the president of the society to recommend such reforms as will correct them.

In this connection I would recommend that the president take under advisement the following suggestions:

1. That an effort be made occasionally, in the official organ and elsewhere, urging members to provide for less costly funerals, to the end that beneficiaries may receive a larger proportion of the benefit.

2. That where the beneficiary is living at the same place as the member at the time of the latter's death, she shall contract the bills for funeral services in her own name and pay for them personally out of the benefit paid to her without any deduction.

3. That where the beneficiary does not live in the same place as the member at the time of death, the funeral arrangements shall be made by the officers of the sub-assembly, and the bills therefor paid to the proper persons by the supreme secretary, only upon the written approval of at least two officers of the sub-assembly.

4. That all such bills shall be duly receipted and filed with the claim papers in each case.

Deposit in Defunct Bank

The society at the time it was incorporated and commenced business had certain cash on deposit in the First-Second National Bank of Pittsburg, Pa. This account was continued and used advantageously in transmitting cash to beneficiaries in foreign

countries, until on or about July 5, 1913, when the bank suspended business and was placed in the hands of receivers.

It appears that the amount of the credit balance of the incorporated society in the said bank at the time it was closed amounted to \$9,947.05 and a balance of an old account of the unincorporated society amounting to \$1,709.62. Both these accounts, it is said, represent claims of minors which have been charged out of the assets of the society respectively and the proceeds deposited in said bank in trust for the minors until they can legally take the same.

The management regards such claims as liabilities and, since the failure of the bank, advances have been made to persons representing such minors from the reserve fund to the extent of \$4,533.40.

The balance due minors on this account I have included as a liability in the statement of this report.

It is stated by the officers that they have received assurances from the receivers of the bank that a dividend of 50 per cent. will soon be made to the bank's creditors, and that there is a likelihood the balance will be paid in full eventually. Whatever is received will be credited to the reserve fund to replace the advances made therefrom.

Interest on Regular Bank Deposits.

The society's regular depository is the Seaboard National Bank of New York City. It was ascertained that the society's average monthly balance in this bank was over \$20,000 for the year 1913 on which no interest was received. Steps should be taken by the president immediately to ascertain whether a reasonable rate of interest cannot be received on this account.

Serbo American Educational and Benevolent Alliance

This is the title of an organization which, in fact, has at the present time no legal existence; it is neither a voluntary association nor a corporation of any kind, but is merely a name of a fund maintained as an ally to the Serb Federation Sloga.

The objects of this fund are both eleemosynary and educa-

tional. It provides aid not only to needy members of the Serb Federation Sloga but also to other persons of the Servian race in the United States.

It appears that the affairs of the Alliance are supposed to be managed at the present time by the president of the society, the chairman of the board of control and the chairman of the supreme judicial court, which persons have been designated as a board to so act by the convention of the Serb Federation Sloga, and this board is also supposed to supervise the editing of a paper called the *Srborbran* which, I am informed, is owned and published by the Serb Publishing Company. This paper has been designated the "official organ" of the society, and the members of the latter pay five cents per month as the subscription price thereof.

It appears that the moneys handled by the Serbo American Educational and Benevolent Alliance are received from the Serb Federation Sloga through certain appropriations provided for in the by-laws, and also from contributions made by certain philanthropically disposed persons.

I find that the president of the Serb Federation Sloga holds, as trustee, for "the purpose of aiding the *educational and benevolent fund of the Serb Federation Sloga*," a parcel of real estate situated at 443 West 22nd street, New York City. This property was a gift by a person interested in the objects of this society and was conveyed under a deed of trust for the purpose above mentioned.

The building is used as headquarters to carry out the purposes of the said fund and also as the home office of the Serb Federation Sloga. The latter, however, pays no rent, as such, for the space it occupies.

I find that the by-laws of the Serb Federation Sloga provide that the supreme president may, at his discretion, cause a membership corporation to be formed under the laws of the State of New York for the purpose of administering the affairs of the Serbo American Educational and Benevolent Alliance, and that sometime ago steps were taken looking to such incorporation, but that the same has been left uncompleted.

Serb Publishing Company

The Serb Publishing Company was organized as a stock corporation under the laws of this State with a capital stock of \$4,000 divided into shares of \$10 each. Its purpose, briefly, is to print and publish Servian literature and, as above stated, it owns and publishes the *Srbobran*, the official organ of the Serb Federation Sloga.

This company was organized by M. I. Pupin, Esq., President of the Serb Federation Sloga, who originally owned 398 out of the 400 shares of stock, but it appears that he has assigned the same to himself, as trustee, for the benefit of the Serbo American Educational and Benevolent Alliance.

Dissensions

There exists in this society, among certain of the elected officers and members of committees, dissensions which have become so bitter that unless they cease soon they will, in my opinion, eventually injure if not completely wreck the organization. This condition, apparently, is due mostly to misunderstandings as to the rights, prerogatives and duties of the various persons in authority and the title to certain property, but it has developed into personal animosities which have precipitated general charges of wrongful acts, touching usurpations of authority in office, and statements which appear to be vile slanders.

The difficulty is between the president, on the one side, and the vice president and members of the Supreme Board of Control and the chairman of the Supreme Judicial Court, on the other.

Charges are made against the president substantially as follows:

1. That he caused to be translated into the English language from the Servian the constitution and by-laws and has thereby arbitrarily distorted and wilfully changed the meaning of such laws as adopted at the first convention of the society, and has declared the English version to be the official laws of the society — this for the purpose of furthering his own selfish purposes.

2. That he subrogates unto himself, in conducting the affairs of his office and in publishing the official organ, powers which were never vested in him solely, but only in conjunction with others.

3. That he is administering certain property, in connection with the Serbo American Educational and Benevolent Alliance and the Serb Publishing Company, in an arbitrary manner, so that other officers of the society are in doubt as to its exact title, and that they can get little or no satisfaction from him concerning the society's legal rights in the premises.

4. That he has wilfully and without legal authority suspended from office as chairman and member of the Supreme Judicial Court one Ilija Susnjar.

I have investigated these matters thoroughly, and I hereby report thereon as follows:

The president of the society is a man of education, force and initiative. He was, undoubtedly, the man without whom this society would not have been organized and incorporated. He has given of his time, money and influence in abundance in furtherance of the work of the society, for which he has received no compensation.

The officers and members of committees associated with the president are not his equal in education, business experience, etc. Naturally, it has been incumbent upon him to take the initiative in conducting the affairs of the society, and for these reasons he dominates the society in practically all its departments. Hence, there may be times when he exceeds his authority, according to the letter of the law, in administering the society's affairs. However, I find no warrant for the charge that he has distorted and materially changed the meaning of the by-laws in translating the same into English.

At the time the Servian by-laws were adopted, before the society filed its certificate of incorporation, the executive committee was expressly authorized to make such changes in such laws as would be necessary and expedient in its judgment and also in complying with the Insurance Laws of this State. In pursuance of this duty certain changes were made by the said body, but I am unable to find any evidence that material or unnecessary changes were made or any that can be deemed to be unreasonable in the light of all the facts and circumstances.

With regard to the charge that the president subrogates unto himself, in conducting the affairs of his office and in publishing

the official organ, powers which were never vested in him solely, but only in conjunction with others, I am of the opinion that circumstances which are the outcome of the indefinite relationship of the Serbo American Educational & Benevolent Alliance and the Serb Publishing Company with the society under examination, forces him to take upon himself responsibilities which should not be taken by any one man in a fraternal beneficiary society. In other words, it seems that the relationship of the organizations above named with this society is so indefinite that educated men, to say nothing of illiterate foreigners, are puzzled to know what the exact rights and obligations of the society and its officers are in the premises.

For instance, the president claims that the real estate, hereinbefore mentioned, is held by him in trust for the Serbo American Educational and Benevolent Alliance, but he admits that this organization is one in name only and is not a legal entity. I find, however, that this trust was created "for the purpose of aiding the educational and benevolent fund of the Serb Federation Sloga," and not to aid a separate and distinct institution.

The 398 shares of stock of the Serb Publishing Company owned by the president have been assigned to him, as trustee, for the benefit of the Serbo American Educational and Benevolent Alliance. So, it would seem, this trust is probably not valid, in view of the fact that there is no one legally authorized to act for such organization.

Again, it is claimed that the printing equipment belongs neither to the Serb Publishing Company, the Serbo American Educational and Benevolent Alliance nor the Serb Federation Sloga, but is also held by the president, as trustee, under a separate trust, being a gift from a friend of the society, but accompanied by no expressed agreement.

As a result of this condition dissatisfaction has ensued and certain of the officers and committeemen have protested, taken the minute record books from the office for investigation, engaged counsel and, through the latter, made an appeal to this Department.

It seems that the board which was designated by the convention to act as the executive committee of the Serbo American Educa-

tional and Benevolent Alliance and to supervise the policy of the official organ, under certain rules adopted by the convention, has been disrupted by reason of the suspension from office of the chairman of the Supreme Judicial Court by the president, as above referred to, and such duties have since fallen upon the president and the chairman of the Supreme Board of Control, but, by reason of the vile accusations alleged to have been made against the president by the deposed chairman above mentioned, the former has practically taken upon himself the sole responsibility of conducting the official organ, alleging that the rules adopted concerning the character of the articles to be published therein have been absolutely violated by his associates and that, in order to protect the society and his own good name, he has been obliged to assume full responsibility and will rely upon the members of the society to uphold him.

Concerning the fourth charge, viz: that the president has wilfully, and without legal authority, suspended from office as chairman and member of the Supreme Judicial Court, Ilija Susnjar, I am constrained to believe that, notwithstanding the provocation was probably great, the president was not warranted, under the by-laws, to suspend from office the above named person. He was elected by the convention, and I find nothing written in the laws of the society which gives the president the power to suspend an elected officer, especially a member of the Supreme Judicial Court.

The charges made against Susnjar is that he had maliciously slandered and libelled both the president and the society.

Bonds

The following is a description of the bonds owned by the society on date of this examination, with the book, par and market values thereof:

	<i>Book value</i>	<i>Par value</i>	<i>Market value</i>
District of Columbia, Funding, 3.65%			
— 1924	\$19,259 36	\$18,000 00	\$18,720 00
U. S. Government, Panama Canal,			
3% — 1961	16,824 84	16,500 00	16,500 00
Totals	\$36,084 20	\$34,500 00	\$35,220 00

The District of Columbia bonds are not registered. They should be either registered or deposited so that access to them shall be had only by the president and secretary acting together.

Recommendations

In view of the conditions described above, I respectfully make the following recommendations in addition to those already set forth in this report.

1. That, as soon as practicable, the Serbo American Educational and Benevolent Association, which is the name of a fund only, be merged with the Serb Federation "Sloga" and be managed by the supreme council thereof, and the transactions of the said fund be carried on the society's records and subject to the examination of this Department. This will be, in my opinion, wholly within the corporate rights of the society, and it will serve to dispel the air of mystery which surrounds this subsidiary at the present time. Such change will not, in my opinion, alter or affect the trust which now exists in connection with the real estate; that can be continued precisely as at present under the trusteeship of the president, Prof. M. I. Pupin, or his successor under the trust agreement.

2. That the Serb Publishing Company be dissolved and the official organ be issued by the Serb Federation "Sloga" itself, under the direct supervision of the Supreme Council through an editor and manager appointed by and amenable to that body. This can be done if a proper compliance is made with the postal laws in such cases made and provided. Such procedure, in my opinion, need not affect any rights as trustee the president may have in the printing equipment, etc., but the same should be made definite so that the title to such property will be clear and well understood by the representatives of the society.

3. That, pending the consummation of such arrangements, the policy of the official organ and the character of its editorials be supervised by the committee designated at the last convention, under the rules then adopted, but that the business management thereof shall be conducted solely by the president of the society.

4. That the two persons elected by the convention to membership in the supreme council, who were deprived of voting at the

January meeting, be reinstated and hereafter be allowed to enter into the full deliberations of that body.

5. That the chairman of the supreme judicial court be reinstated to his office.

6. That the complaint now pending against the Supreme Secretary, P. H. Pavlovitch, in connection with irregularities of Chicago Lodge No. 1, be dismissed, upon the ground that the evidence submitted does not warrant any further consideration of this matter.

7. That the disbursements on account of convention expenses shall hereafter be made only after each bill for traveling and per diem expenses has been approved by a committee of at least two persons designated by the supreme council and that such bills shall be duly receipted and filed.

8. That the minute record books of the society be deposited in the office of the society at its headquarters, and not elsewhere.

Liabilities

The statement of liabilities given in this report does not include any bills for legal services which the attorneys of the society may have had against the society as of the date of this examination.

Membership and Insurance

The number of members in good standing as shown by the records on December 31, 1913, was 9,366, and the death benefit insurance outstanding at the same time amounted to \$7,492,800.

Officers

The following are the names of the officers and chairmen of the principal committees of the society: Supreme president, Michael I. Pupin; supreme vice-president, Luka Krlosich; supreme secretary, P. H. Pavlovitch; chairman of the supreme board of control, Nikola Grahovac; chairman of the supreme judicial court, Ilija Susnjar.

Salaries

None of the above named officers receive a stated salary, except the supreme secretary whose compensation at the present time is at the rate of \$1,200 per annum.

Conclusion

It seems clear that if this society is going to continue its usefulness and carry on successfully the work for which it was founded, its officers must first get together and drop their personal animosities, and, secondly, readjust the society's affairs, above referred to, in a more orderly and well defined way.

The society has accomplished much in the work of caring for its members and their beneficiaries in suffering and in death, and also in educational matters, social service, etc.; it has still greater opportunities for such work, if the men chosen to lead will unselfishly work for the society's best interests, regardless of personal ambitions and petty jealousies.

Nothing contained in this report should be construed as indicating that your examiner believes that the president of this society has conducted his office on any other than a high moral plane, or that he has used his office to promote selfish ends, or for any other purpose than to improve the condition of his fellow countrymen. He has given to the society in time, labor and money what few men in his position would care to give, and it is my opinion that the society could ill afford to lose him as its head.

It seems necessary, however, to make certain changes in methods of administration, upon general principles and, in this case particularly, for the reason that, in my opinion, if the president now in office should resign or die the society would not endure long as presently constituted.

UNITY INSURANCE SOCIETY

SYRACUSE, N. Y.

Examined to ascertain condition December 31, 1913.

Report dated March 10, 1914.

Examiners: Clarence J. Norton and J. F. Tucker.

<i>Ledger Assets</i>	
Cash in banks	\$888 14
Cash in office.....	6 77
Agents' balances	20 69

Total ledger assets

\$915 60

Non-Ledger Assets

Assessments in course of collection.....	\$464 00
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Gross assets	\$1,379 60
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Assets Not Admitted

Agents' balances	20 69
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Total admitted assets	\$1,358 91
-----------------------------	------------

Liabilities

Commissions	\$208 68
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Death claims	152 50
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Disability claims	62 50
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Total liabilities	423 68
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Balance of assets over liabilities.....	\$935 23
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A statement of the income and disbursements for the year ending December 31, 1913, is as follows:

Balance ledger assets December 31, 1912.....	\$1,075 46
--	------------

Income

Assessments	\$5,028 73
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Per capita tax	1 00
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Donations by officers.....	2,750 00
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Total income	7,779 73
--------------------	----------

Total	\$8,855 19
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Disbursements

Death claims	\$971 00
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Disability claims	819 50
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Commissions and collection fees.....	2,170 92
--------------------------------------	----------

Salary, manager of agencies.....	1,195 00
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Management and miscellaneous	1,580 53
------------------------------------	----------

Salaries of office employees.....	1,202 64
-----------------------------------	----------

Total disbursements	7,939 59
---------------------------	----------

Balance ledger assets December 31, 1913.....	\$915 60
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Assets

The cash in bank consists of a deposit of \$1,000 in one bank offset by an overdraft of \$111.86 in another. These balances were verified by certificates.

Liabilities

There are two death claims outstanding, one of which is being paid in monthly installments, in accordance with the terms of the policy.

Funds

The income of the society is divided and carried in two funds, viz: Beneficiary and General or Expense funds.

Beneficiary Fund

This fund is maintained by crediting sixty-five (65) per cent. of all assessments received after the first year. From this fund all death and disability claims are paid.

It will be noted in the following statement that the income to this fund for the year 1913 was not sufficient to meet the claims incurred, and that it was necessary to transfer thereto \$700 from the expense fund.

A statement of this fund for the year ending December 31, 1913, is as follows:

Balance December 31, 1912.....	\$445 42
--------------------------------	----------

Income

Assessments	\$785 19	
Transfer from expense fund.....	700 00	
Total income		1, 485 10
Total		\$1, 930 61

Disbursements

Death claims	\$971 00	
Disability claims	819 50	
Total disbursements		1, 790 50
Balance, December 31, 1913.....		\$140 11

General Expense Fund

The income to this fund is derived from certificate fees, per capita tax, the first twelve monthly assessments and thirty-five (35) per cent. of all other assessments.

It appears that one of the laws governing the general or expense fund (sec. 183, sub-division C) provides that not more than 25 per cent. received on account of the benefit fund may be used in the general fund, whereas sub-division G provides that "a sum not exceeding the first twelve assessments of members may, at the discretion of the Supreme Yadoya or Board of Supreme Trustees, be used for the extension of the order."

It is obvious that such provisions are opposed to each other where, as in this case, the first twelve monthly assessments comprise practically the whole of the total assessments. The by-laws in this respect should be amended and made definite.

It is claimed that this matter was taken care of some time in the past, but that the record thereof has in some manner been lost. New amendments are therefore in order, to the end that the by-laws be made to comply with sub-section 4 of section 233 of the insurance law, which reads as follows:

"Every provision of the laws of a society for payment by its members in whatever form made, shall distinctly state the purpose of the same and the proportion thereof which may be used for expenses, and no part of the money collected for mortuary or disability purposes, or the net accretions of either or any of said funds, shall be used for expenses."

A statement of this fund for the year ending December 31, 1913, follows:

Balance December 31, 1912.....		\$630 04
<i>Income</i>		
Total first year assessments.....	\$3,834 08	
Thirty-five per cent. subsequent assessments...	409 46	
Donations by officers.....	2,750 00	
Per capita tax	1 00	
Total income		6,994 54
Total		\$7,624 58
<i>Disbursements</i>		
Expenses of management	\$6,149 09	
Transfer to Beneficiary Fund.....	700 00	
Total		6,849 09
Balance December 31, 1913.....		\$775 49

Recapitulation of Fund Balances December 31, 1913

Beneficiary Fund	\$140 11	
General Fund	775 49	
Total ledger assets		\$915 60

Expenses of Management

Although this society is organized as a fraternal beneficiary society, it employs a manager of agencies and also district managers over whom he has supervision. The district managers are engaged in securing new business and in the collection of assessments.

The manager of agencies receives a stated salary, and the district managers receive the initiation fees, one half the assessments for the first six to twelve months, according to agreement, and ten per cent. as a collection fee on all subsequent assessments.

Owing to the fact that but few members remain in the society for over one year, a very large portion of the assessments is used for the payment of commissions. During the year 1913 the total assessments collected amounted to \$5,028.73. The total paid for commissions, salary of manager of agencies and traveling expenses was \$3,912, or approximately 78 per cent. of the total premium income.

During the same period the total expenses of management amounted to \$6,149.09, or over 122 per cent. of the income from members.

Donations by Officers

The assessments being insufficient to meet the claims and necessary expenses of the society for several years past, the officers have from time to time made voluntary contributions to the general fund. For the three years preceding the date of this examination, such contributions were as follows:

1911	\$2,750 00
1912	2,050 00
1913	2,750 00
Total	\$7,550 00

We were informed that the said contributions were made without any agreement that they are to be returned and that the same in no sense constitute a liability against the society. Filed with this report is as an affidavit executed by the president and secretary-treasurer to that effect.

Certificates and Membership

The society issues at present but one form of certificate, a combination contract with life, accident and health benefits.

Both sexes from 18 to 55 years of age are eligible to membership. Members whose certificates carry the same benefits pay the same rates regardless of age.

Assessments, rates and benefits are shown as follows:

<i>Class No.</i>	<i>Certificate fee</i>	<i>Cost per month</i>	<i>Weekly benefits</i>	<i>Loss of 1 eye or 1 limb not exceeding</i>	<i>Loss of 2 eyes or 2 limbs not exceeding</i>	<i>Death benefits not exceeding</i>
1	\$1 00	\$0 75	\$5 00	\$100 00	\$200 00	\$250 00
2	2 00	1 00	7 50	200 00	400 00	375 00
3	3 00	1 50	10 00	300 00	600 00	500 00
4	4 00	2 25	15 00	400 00	800 00	800 00
5	5 00	3 00	20 00	500 00	1,000 00	1,000 00

In the event a member dies during the first year, the certificate provides that the beneficiary will receive a sum not exceeding ten (10) per cent. of the death benefit; during the second year, a sum not exceeding twenty-five (25) per cent.; during the third year a sum not exceeding forty (40) per cent.; during the fourth year a sum not exceeding sixty (60) per cent.; during the fifth year a sum not exceeding seventy-five (75) per cent.; during the sixth year and thereafter a sum not exceeding the full amount of the death benefit named in the certificate.

After a certificate has been in force eleven months the member is entitled to receive not to exceed ten (10) weeks' benefit in any one year in case of disability. Prior to the eleven months' membership such benefit varies from one to nine weeks, determined by the number of months the certificate has been in force.

On December 31, 1913, the number of certificates outstanding was 640 and the amount of insurance \$253,425.

There are seven subordinate branches in New York State and five in Pennsylvania.

Officers

Following are the names of the officers of the society who serve without any compensation: President, William F. Rafferty; vice-president, George B. Dolsen; secretary and treasurer, Lucius G. Lacy; medical director, C. S. Roberts.

Thomas J. Nolan is employed as manager of agencies at a salary of \$20 per week.

WOODMEN'S SICK AND DEATH BENEFIT FUND OF THE UNITED STATES OF AMERICA

NEW YORK, N. Y.

Examined to ascertain condition March 31, 1914.

Report dated June 30, 1914.

Examiner: J. F. Tucker.

This society was organized on October 19, 1884, and on February 13, 1899, was duly incorporated as a fraternal beneficiary society under the provisions of article VII of the Insurance Law of the State.

Ledger Assets

Mortgage loans on real estate.....	\$642,725 00	
Cash deposited in banks.....	23,498 81	
Cash in office.....	35 47	
Cash in custody of branch treasurers.....	78,608 25	
Total ledger assets.....		\$744,867 53

Non-Ledger Assets

Interest accrued on mortgages.....	\$10,186 81	
Assessments due and unpaid.....	39,637 02	
Total non-ledger assets.....		49,823 83
Gross assets		\$794,691 36

Assets Not Admitted

Assessments due and unpaid.....	39,637 02	
Total admitted assets		\$755,054 34

Liabilities

Unpaid death claims.....	\$25,980 92
Unpaid sick benefits	952 35
Accrued salaries	56 20
Assessments paid in advance.....	208 68
Total liabilities	\$27,198 13
Excess of admitted assets over liabilities.....	\$727,356 21

Assets

The mortgage loans were verified by an inspection of the usual mortgage papers on file in the office of the society. Titles to all the parcels upon which loans have been made are insured by recognized title insurance companies. The property securing these mortgages is now being appraised by this Department and a separate report of the appraisals will be submitted. One of these mortgages has been paid off since March 31st. Another has been turned over to the society's attorneys for the purpose of foreclosure. The attorneys state that the proceedings have not been completed.

The savings bank deposits were verified by the bank pass books and the deposits in commercial banks by certificates obtained from the banks and reconciled with the society's records.

Under a ruling of this Department dated at Albany, N. Y., August 31, 1909, the balances in the custody of subordinate branch treasurers are admitted assets and have been so treated in this report. The amount, \$78,608.25, was verified by checking the quarterly statements of the branches with the records of the society. Whether these funds were in the local treasuries or deposited in banks can only be ascertained by an examination of the records of each of the 332 subordinate branches.

The interest accrued on mortgages was computed from the mortgage records.

The assessments due and unpaid were not verified as the amount has been deducted as an asset not admitted.

Death Claims Unpaid

The unpaid death claims were taken from the claim register and checked with the list of unpaid claims entered upon the society's records as of March 31, 1914. The total was increased by \$1,750 on account of reports of seven deaths occurring prior

to March 31st not having been received until subsequent to that date.

The total of the unpaid death claims was \$25,980.92. Of this amount approximately \$13,000 represents claims incurred prior to the year 1913. Twelve of the death claims occurred in 1908, six in 1909, nine in 1910, thirteen in 1911 and twenty-two in 1912.

The principal reasons for the non-payment of these claims are: No legal beneficiary; beneficiary living abroad; and beneficiary not of age.

With reference to the non-payment of claims where the beneficiary is not of age, or one or more of such beneficiaries are minors and no guardians are appointed; the claims or portions of claims due such minors are carried upon the records as liabilities for six years or for such length of time within that period as shall elapse before the minors become of age. At the end of six years such unpaid claims or portions thereof are transferred to the reserve fund. This appears to be an arbitrary ruling upon the part of the management. It does not follow that a minor beneficiary, having reached his majority after the six-year period, cannot prove and collect his claim. So far as the society is concerned, however, the record of the case is closed and should the claim be overlooked by the beneficiary it would never be paid.

It is, therefore, respectfully recommended that this practice be discontinued and that the society carry such unpaid claims of infants on its books in a separate account at prevailing savings banks interest rates and held for the benefit of the minor beneficiary or beneficiaries until he or they shall become of age.

Income and Disbursements

The income and disbursements for the year ending March 31, 1914, were as follows:

Balance ledger assets March 31, 1913.....	\$647,813 46
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Income

Initiation fees	\$16,419 00
Assessments	549,116 60
Books and fines.....	1,542 20

Total	\$567,077 80
Payments returned to members.....	20 70

Total receipts from members.....	\$567,057 10
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Interest on mortgage loans.....	\$26,368 28	
Interest on bank deposits.....	1,439 17	
Sale of literature	30 87	
Sale of society buttons	996 08	
Miscellaneous	3 50	
Total income		\$595,895 00
Total		\$1,243,708 46

Disbursements

Death claims	\$130,415 00	
Sick benefits	339,109 86	
Salaries of officers.....	2,162 62	
Compensation of committees.....	148 48	
Salaries of office employees.....	6,528 88	
Office rent	1,500 00	
Official publications	9,660 40	
Legal expense	812 08	
Supreme lodge meeting	916 53	
Insurance department licenses and fees.....	147 10	
Management expenses	7,439 93	
Total disbursements		498,840 93
Balance, ledger assets, March 31, 1914.....		\$744,867 53

Funds

The assets of the society are apportioned among four funds, viz.: Reserve, mortuary, sick and accident expenses. The initiation fees and interest from all sources are credited to the reserve fund; the apportionment of assessments among the other funds is given under the paragraph in this report relating to membership, rates and benefits. As the titles of the funds indicate, the death claims are paid from the mortuary fund, the disability claims from the sick and accident fund and the expenses from the expense fund.

The income and disbursements by funds for the twelve months covered by this examination and the balances in each fund at the beginning and end of the period were as follows:

Reserve Fund

Balance March 31, 1913.....	\$373.093 49
-----------------------------	--------------

Income

Initiation fees	\$16,419 00
Interest on mortgage loans.....	26,368 28
Interest on bank deposits.....	1,439 17
Transfer from mortuary fund.....	1,827 00

Total income	\$46,053 45
--------------------	-------------

Balance March 31, 1914.....	\$419,146 94
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Mortuary Fund

Balance March 31, 1913.....	\$143,406 08
-----------------------------	--------------

Income

Assessments	\$172,740 82
Deduct payments returned to members.....	2 90

Net income	172,737 92
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Total	\$316,144 00
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Disbursements

Death claims	\$130,415 00
Transfer to reserve fund.....	1,827 00

Total disbursements	132,242 00
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Balance March 31, 1914.....	\$183,902 00
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Sick and Accident Fund

Balance March 31, 1913.....	\$106,887 33
-----------------------------	--------------

Income

Assessments	\$345,581 95
Deduct payments returned to members.....	4 90

Net income	345,577 05
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Total	\$452,464 38
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Disbursements

Sick benefits	339,109 86
---------------------	------------

Balance March 31, 1914.....	\$113,354 52
-----------------------------	--------------

Expense Fund

Balance March 31, 1913.....	\$24,426 56
-----------------------------	-------------

Income

Assessments	\$30,793 83	
Books and fines	1,542 20	
Total	\$32,336 03	
Payments returned to members	12 90	
Total receipts from members	\$32,323 13	
Sale of literature	30 87	
Sale of society buttons	996 08	
Miscellaneous	3 50	
Total income		\$33,353 58
Total		\$57,780 14

Disbursements

Salaries, rent and various items	29,316 07
Balance March 31, 1914	\$28,464 07

Recapitulation of Fund Balances March 31, 1914

Reserve	\$419,146 94
Mortuary	183,902 00
Sick and accident	113,354 52
Expense	28,464 07
Total	\$744,867 53

Membership, Rates and Benefits

Section 1 of article III of the constitution of the society reads in part as follows:

"Section 1. Every workman in good health and of reputable character, not below the age of 18 years nor above the age of 45 years, may be admitted to membership if proposed by a member who has known him for at least six months."

The membership is divided among three classes and the initiation fees, which are credited to the reserve fund, are as follows:

Age	18-30 years	30-40 years	40-45 years
First class	\$4 00	\$5 00	\$7 00
Second class	3 00	4 00	6 00
Third class	1 00	2 00	3 00

The monthly assessments, regardless of age, are as follows:

	<i>Total</i>	<i>Mortuary</i>	<i>Sick and accident</i>	<i>Expenses</i>
First class	\$1 05	\$0 29	\$0 70	\$0 06
Second class	80	29	45	06
Third class	30	29	.....	01

The death benefit is \$250 in each class. The disability benefits are as follows:

1st class: Nine dollars per week for 40 weeks and \$4.50 per week thereafter until \$540 shall have been paid, when the member is entitled to no further disability benefits.

2nd class: Six dollars per week for 40 weeks and \$3 per week thereafter until \$360 shall have been paid, when the member is entitled to no further disability benefits.

The members of the third class receive no disability benefits. The greater number of members of this class are women. Any male member who has received the total amount of benefits to which he is entitled under classes one and two is transferred to class three and thereafter pays only the assessment called for that class.

On March 31, 1914, there were 332 branches or local lodges in 27 states of the United States, the membership by classes being as follows:

First class	41,800
Second class	682
Third class (men)	272
Third class (women)	8,045
Total	50,799

The amount of insurance in force was \$12,699,750.

Payment of Claims

All payments of disability claims are made by the local branches, a monthly report being submitted to the supreme body. All receipts for payments made during the current month are attached to the report. Checks in payment of death claims are drawn at the office of the supreme body and remitted to the treasurers of the local branches, who turn them over to the beneficiaries and obtain releases for the claims. These releases are also sent in with the monthly reports.

The releases for all death claims paid during a period of three months were checked with the society's records and found to agree.

Official Publication

"Solidarity, Official organ of the Workmen's Sick and Death Benefit Fund of the United States of America" is published monthly and sent to each male member of the society. This organ is published in both the German and English languages and contains official notices, including the assessments called, reports of the main office and other information of interest to the members.

The editorial management of the paper is in the hands of an editor who is elected by a board of supervision.

All expenses connected with the publication are paid from the expense fund. During the twelve months ending March 31, 1914, the expenses were as follows:

Editor's salary	\$540 00
Paper, printing, composing and binding.....	6,411 99
Addressing, wrapping and mailing.....	1,374 72
Postage	1,310 89
Subscription fees for periodicals	22 80
Total	<u>\$9,660 40</u>

Officers

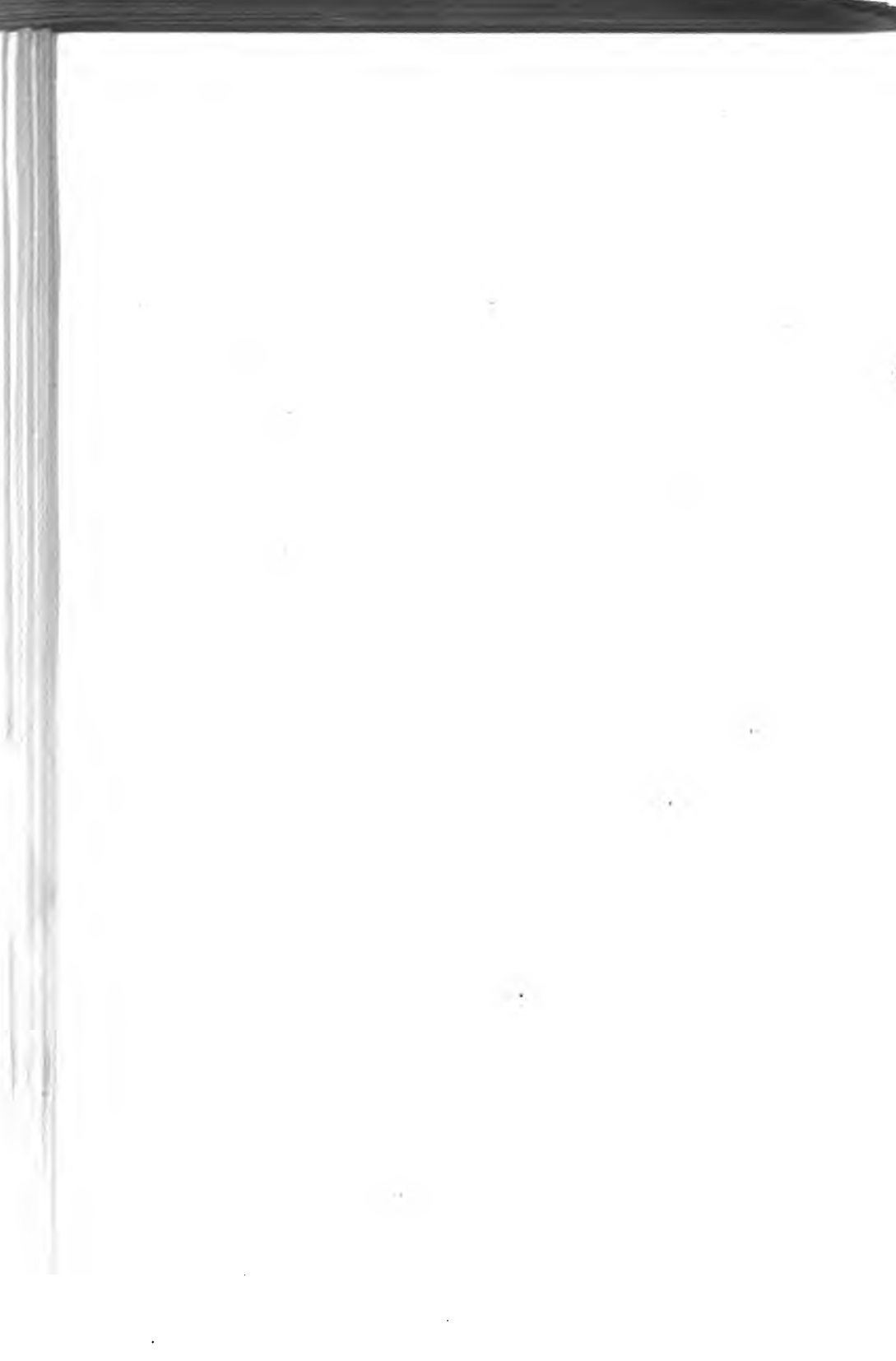
The present officers and the salaries paid to each are as follows:

President, Paul Flaschel.....	Nothing
Secretary, William Meyer.....	\$22 weekly
Treasurer, Stephan Bacher.....	\$19.80 weekly

The secretary and treasurer are under bond issued by the United States Fidelity and Guaranty Company for \$5,000 each.

MISCELLANEOUS SPECIAL REPORTS

[1019]



BURGLARY INSURANCE UNDERWRITERS ASSOCIATION

NEW YORK, N. Y.

Examined as to organization and methods.

Report dated April 9, 1914.

Examiner: Jesse Bacharach.

History

The BURGLARY INSURANCE UNDERWRITERS ASSOCIATION is an unincorporated association formed July 12, 1904. The association made little progress and the agreements and rules were frequently suspended, the last suspension being on January 5, 1912. On March 19, 1912, the association as now constituted reorganized, and on April 16, 1912, the present constitution was adopted.

PURPOSE OF ORGANIZATION

The purpose of the association as stated in the constitution is

"To promote good will, harmony, confidence and co-operation generally between the companies and to devise and give effect to measures for the protection of every company interested, especially in any and all matters relating to any branch or class of Burglary insurance underwriting."

MEMBERSHIP

All companies, writing any line of burglary insurance, are eligible to membership in the association.

The officers and present incumbents are as follows:

President.	William B. Joyce
1st Vice-President.	Robert J. Hillas
2nd Vice-President.	Norman R. Moray
Treasurer.	E. J. Millar
Secretary.	Samuel B. Brewster

The above officers were elected to serve for one year from May 1, 1913. The secretary, who also acts as manager of the statistical bureau, is the only officer who receives a salary.

COMMITTEES

Various functions are entrusted to committees, the standing committees being the Auditing Committee, Bankers' Burglary Committee, Bureau Committee, Common Chicago Agency Committee and Mercantile Open Stock Committee.

In addition to the standing committees, there are a number of special committees appointed for various purposes, the names of the committees in a general way indicating the purposes of the committees and the problems confronting them. Some of these committees are:

New York Agency Committee	Soliciting New Members Committee
Residence Committee	The Increase in Rates Committee
Robbery Committee	The Central Claims Bureau Committee
Tourist Floater Committee	The Co-Insurance Clause Committee
The Vacancy and Limit on Jewelry Committee, etc.	

80% CO-INSURANCE CLAUSE

"The company shall not be liable for a greater proportion of any loss of or damage to articles of gold and sterling silver, watches, precious stones, jewelry, oil paintings, oriental rugs, furs or articles made in whole or in part of fur, than the sum hereby insured bears to eighty per centum (80%) of the total actual cash value of all articles of gold and sterling silver, watches, precious stones, jewelry, oil paintings, oriental rugs, furs and articles made in whole or in part of fur, covered by this policy under item — of statement — of the schedule. In case of claim for loss of any of the aforesaid property described in this clause, not exceeding five per centum (5%) of the maximum amount of insurance under this policy, no special inventory or appraisalment of the property not stolen or not damaged shall be required. If the insurance under this policy applies to articles separately and specifically described in item — of statement — of the said schedule and stated therein to be insured hereunder, this clause shall not apply to a loss of such articles."

In the event of a greater loss than 5% the following clause is effective:

"In the event of the loss of property such as is described in agreement — a special inventory of such property not stolen or not damaged shall be furnished to the company."

The co-insurance clause operates only in the event that the lost articles are constituted in whole or in part of gold, sterling silver, watches, precious stones, jewelry, oil paintings, oriental rugs, furs or articles made in whole or in part of fur. To illustrate its operations, the following is assumed:

Value of restricted articles	\$5,000
Value of non-restricted articles	5,000
Total value of property insured	\$10,000
Insurance required (80% of value of restricted articles).....	4,000
Insurance carried (¾)	3,000
Deficiency (¼).....	1,000
Amount of loss (restricted articles).....	\$2,000
Amount of loss (non-restricted articles)	1,000
Total loss.	3,000
Company's liability on restricted articles (¾)	\$1,500
Company's liability on non-restricted articles	1,000
Company's total liability	2,500

Following is a table showing the company's liability for various losses with varying amounts of insurance, the value of the insured property being the same in all cases:

Value of Restricted Articles Covered by Insurance	Value of Non-restricted Articles Covered by Insurance	Loss		Insurance with 80% Co-insurance	Liability of Company
		Value of Restricted Articles	Value of Non-restricted Articles		
\$5,000	\$5,000	\$1,000	.....	\$1,000	\$250
"	"	1,000	\$500	"	750
"	"	1,000	1,000	"	1,000
"	"	.....	1,000	"	1,000
"	"	1,000	.....	2,000	500
"	"	1,000	500	"	1,000
"	"	1,000	1,000	"	1,500
"	"	1,000	1,500	"	2,000

Value of Restricted Articles Covered by Insurance	Value of Non-restricted Articles Covered by Insurance	Loss		Insurance with 80% Co-insurance	Liability of Company
		Value of Restricted Articles	Value of Non-restricted Articles		
\$5,000	\$5,000	\$1,000	\$2,000	\$2,000	\$2,000
"	"	.....	2,000	"	2,000
"	"	1,000	.....	3,000	750
"	"	1,000	500	"	1,250
"	"	1,000	1,000	"	1,750
"	"	1,000	1,500	"	2,250
"	"	1,000	2,000	"	2,750
"	"	1,000	2,500	"	3,000
"	"	1,000	3,000	"	3,000
"	"	.....	3,000	"	3,000
"	"	1,000	.....	4,000	1,000
"	"	1,000	500	"	1,500
"	"	1,000	1,000	"	2,000
"	"	1,000	1,500	"	2,500
"	"	1,000	2,000	"	3,000
"	"	1,000	2,500	"	3,500
"	"	1,000	3,000	"	4,000
"	"	1,000	3,500	"	4,000

STATISTICS

The principal purpose of the association appears to be the compilation of statistics from which a system of adequate rates can be evolved. On January 5, 1912, the association, by reason of differences, decided to disband, but the members agreed to maintain the statistical bureau, and the following agreement was signed by eighteen companies:

JANUARY 5, 1912.

"The undersigned companies hereby agree to subscribe to the Burglary Insurance Statistical Bureau and furnish the statistical information required by the Bureau and pay a share of the expenses of its maintenance with the understanding that the companies whose representatives sign this agreement will receive the full benefits from the Bureau in return for such subscription. It is agreed that the expenses for maintaining this Bureau shall be assessed on a pro-rata basis according to the amount of the net premiums received by each company from all branches of the burglary business during the preceding year, as compared with the total amount of such premiums received by all companies subscribing to this Bureau; and it is further agreed that the minimum amount to be paid by each company during one year shall not be less than \$100."

The Bureau was established August, 1910. This Bureau prints and issues manuals or rate books for all members (at cost), and furnishes these manuals to non-members (at cost) if requested.

The companies in the association are expected to furnish the Bureau with an immediate record of all notices of loss, including an estimate of the loss, on a form card, and this information is within twenty-four hours sent to all members of the association. The Bureau has sheets which are kept in loose leaf binders, upon which the information from the notice of loss card is entered. This is arranged by States and by classification of insurance. Upon final adjustment or payment of a loss by a company, it is expected that another card be sent to the Bureau notifying it of such settlement. This is not done, however, by all companies, and failure to do so deprives the results of considerable value; for example, in Massachusetts, out of nearly 2,000 Residence theft losses, not more than fifty settlements have been recorded. It is the expressed intention of the Bureau to list all open losses and to request the companies to state what disposition has been made of each case.

Financial

The assets of the association on September 3, 1913, were:

Cash in Bank.....	\$ 1,026 52
Cash in Office.....	200 00
	\$1,226 52

The receipts and disbursements from May 3, 1913, the date of the last annual meeting of the association, to September 3, 1913, were as follows:

Assessments.....	\$2,439 60	Drafting New Forms	\$100 00
Dues.	1,050 00	Subscriptions.	10 00
Manuals.	52 30	Furniture and Fixtures...	98 60
		Salaries.	1,585 27
		Printing and Stationery.	513 66
		Rent.	320 00
		Miscellaneous.	220 77
	\$3,541 90		\$2,848 30
Balance May 3	532 92	Balance Sept. 3	1,226 52
	\$4,074 82		\$4,074 82

CONCLUSIONS

The underlying impulse in the formation of the BURGLARY INSURANCE UNDERWRITERS ASSOCIATION, as in the case of other similar organizations, was the benefit of its members. The expressed objects of the association are to promote good will and co-operation generally between companies and to give effect to measures adopted for the protection of the companies. The constitution contains no reference to any agreement to maintain rates, but the by-laws, nevertheless, contain provisions for imposing penalties for violation of rates or rules by a member. The principle of reciprocal obligation to the public in the matter of rendering service to the public or fixing reasonable rates in return for the privilege of continuing to maintain rates does not appear to have made appreciable progress. The statistical table, giving the loss experience for ten years in all lines of burglary insurance, shows that the premium income bears an unduly high ratio to the losses paid. As large aggregations of capital have generally been able to

safeguard their own interests, the inevitable conclusion must be reached, in the absence of reliable statistical information to the contrary, that the excessive rates, indicated in the table, were not obtained from the banking associations, but from the unorganized and numerous class of policyholders taking out residence and mercantile insurance. There are a number of rules limiting commissions to agents and brokers, but the association does not appear to have exerted sufficient influence in the limitation of expenses to effect reduction in rates to the insured. The association has no inspection bureau, the inspection of insured premises being left to the companies on the risks. The association has issued no instructions or rules for guidance in this most important function, and the company inspector is left to his own resources in recommending what he may consider proper precautionary measures to make the insured premises reasonably secure. Neglect or ignorance in this work may result on the one hand in what might have been a preventable loss, and on the other hand in an unnecessary loss to the insured, because of the attempted or successful rejection of the claim by the insurance company on the grounds that the manner of illegal entry failed to bring the loss squarely within the provisions of the policy. The association is also lacking in united effort to recover salvage. Next to "Prevention," salvage should bear the most important relationship to the legitimate cost of insuring against burglary insurance. The proposed formation of a central claims bureau would seem to be, for the purpose of salvage, an intelligent step in the right direction. The proposed plan of the central claims bureau would incidentally be an advanced step in efforts to protect burglary insurance companies against the moral hazard. The present efforts of the association to guard against the moral hazard are principally employed in hedging the policies with restrictions until the present policy form for insuring mercantile stock, for example, has a tendency to defeat its primary purpose, viz., the protection of the insured against burglarious loss. In sharp contrast to the narrow Mercantile Burglary policy is the extremely liberal Residence Burglary and Theft policy. The adoption of a co-insurance clause, elimination of guest coverage and restriction in the vacancy clause are equitable modifica-

tions of this form. A modification of the theft feature may still be suggested, particularly with a view of eliminating claims for loss due to the "mysterious disappearance" of articles. The association has for a considerable time maintained a statistical bureau, and is making a commendable effort to gather and tabulate the experience of its members.

While the competition from non-association companies has in some localities influenced the association action as to rates and rules, the association is, notwithstanding, remarkably free from individual discriminations or favoritism.

NEW YORK FIRE INSURANCE EXCHANGE

NEW YORK CITY

Examined as to methods and manner of operation covering period, 1899-1912, inclusive.

Report dated July 21, 1913.

Examiner: Samuel Deutschberger.

PREDECESSORS OF THE EXCHANGE

The beginnings of fire rating associations in New York City have been traced back to the year 1819 when the first organization, known as the "Salamander Society," was formed. This society remained in existence until 1826, when it was supplanted by "The New York Association of Fire Insurance Companies." This organization disbanded in 1857. In 1858 a new organization, named the "New York Board of Fire Insurance Companies," appeared upon the scene. This organization was incorporated in 1868 under the name "New York Board of Fire Underwriters" and is in active existence today. In 1877 this body found it inexpedient to longer attempt to control rates and commissions and these functions were accordingly relinquished and the body now limits its functions to certain activities closely allied to the process of rate making. It was deemed advisable to organize a distinct body for the fixing of rates and the regulating of commissions. Between the years 1877 and 1891 eight such

bodies succeeded one another. In 1891 the "Tariff Association of New York" was organized. It maintained its existence until April 29, 1898, when it was formally abandoned.

After the disbanding of the Tariff Association, a severe rate war ensued. All previously fixed rates, forms and co-insurance requirements were discarded and business was written under any conditions that would secure it. Thousands of policies were cancelled, to be immediately rewritten upon a more advantageous basis to the assured. Some companies were obliged to stop writing business. The war threatened to spread. A conference of companies was called to consider the situation and to seek a remedy. A committee of fifteen was elected at a meeting on January 26, 1899, and as a result of the deliberations of this committee the present "New York Fire Insurance Exchange" was organized March 8, 1899.

Permanent organization was effected and officers and committees were elected.

THE EXCHANGE

The Exchange is a voluntary and unincorporated association formed pursuant to a permissive article in the by-laws of the New York Board of Fire Underwriters.

Shortly after the organization of the Exchange, it entered into an agreement with the New York Board of Fire Underwriters by the terms of which it procured the services of the so-called machinery of the Board in consideration of the payment of \$9,000 per year. All surveys were made by the Board at that time including those necessary for the fixing of rates. In June 1902 the Exchange began to make its own surveys for rating purposes and the board then furnished only the so-called condition surveys and notices of unsafe electrical and heating conditions, and of the corrections of these. The annual payment by the Exchange for Board services was reduced to \$1,500 at that time. This arrangement is in force at the present time. The Exchange supplies the New York Board with reports embodying the essential features of every sprinkler equipment as surveyed.

In addition to the services furnished by the Board, the two bodies, because of their common membership and allied objects, maintain an intimate relationship, each freely giving any information to the other that may prove of value.

EXCHANGE AGREEMENT

When the organization of the New York Fire Insurance Exchange was effected the subscribing members entered into an agreement, and the objects of the association are stated in section 1 of this agreement, which reads as follows:

Whereas, the association of underwriters for mutual counsel and comparison of experience is necessary for the determination of adequate and just rates of premium, the economical conduct of the business, the prompt and equitable adjustment of losses, the ascertainment of proper and safe methods of construction of buildings, and the prevention and extinction of fires.

The members agree to submit any doubtful questions as to rates, rules, commissions or brokerage to a committee on arbitration or grievances and to abide by its decision, subject to appeal to the Exchange.

The agreement provides that the Exchange shall be composed of officers of local companies and managers and agents of out-of-town companies having jurisdiction over the metropolitan district. No person who is an officer or employee of, or shares an office with a company not a member of the Exchange, is eligible to membership. Mutual companies may be admitted to membership, their membership being conditioned upon their issuing cash policies upon stock company plan only.

The agreement further provides for the election of officers and employees, assessment for expenses, appointment of committees, the certifying or licensing of brokers, the fining of members for violation of the agreement, the payment of brokerage or commission, and it defines the area of operation.

Any member may withdraw from the Exchange on giving thirty days' notice to the president of the Exchange, and at the end of such thirty days any other member may withdraw at the same time, provided he has given at least five days' notice.

The area of operation of the Exchange is the so-called metropolitan district, which is described as the borough of Manhattan, Bronx borough west of the Bronx river, the borough of Brooklyn, Long Island City in the borough of Queens and the American dock stores and piers on Staten Island in the borough of Richmond. The territory of the city of greater New York not included in the above limits is part of the territory of the Suburban Fire Insurance Exchange.

OFFICE PROCEDURE

The office of the Exchange is well organized and the routine work of surveying, inspecting and rating appears to be done as expeditiously as can be reasonably expected with the staff now employed. The force of men engaged in the work of inspecting and rating appears to be inadequate to take care of the ever increasing volume of work. Many surveys are too old and inequalities in rates exist because of this fact. The entire personnel of the Exchange, including all departments, numbers about 110 men.

New ratings are not made by the Exchange on its own initiative. To obtain a rate on a new building, the request must come from, or be endorsed by, an Exchange member. If a rerating is desired, the request must be made by the assured or his representative. When the building under consideration is occupied by more than one tenant, all of them receive a new rate upon the request for a rating from any one of them, if the building is non-fireproof, and all other tenants on the same floor with the tenant making the application, if the building is rated as fireproof. If, therefore, a new inspection discloses an exposure hazard which did not exist at the time when the previous inspection was made, only the building and contents under consideration are charged for it. Surrounding buildings, even though equally or more seriously exposed, are not charged for the exposure so disclosed unless a request for a new rating is made. This is a further source of irregularities in rates.

Upon receipt of an application for a rating the last survey made of the risk in question is gotten out. If, in the case of a risk rated on the manufacturing schedule, it is found to be more than two years old, or three years if it be a mercantile risk, a new rate will not be promulgated unless a new survey of the entire building is made. If, however, the survey is found to be within these time limits, an inspection will be made for the purpose of ascertaining whether the particular change which has been given as a reason for rerating was made.

After the inspector has rendered his report on the inspection or has made a new survey, as the case may be, the survey is sent to the rating department. This department is divided into

two distinct divisions, one of which, known as the "mercantile department," concerns itself solely with the rating of mercantile risks, while the other, the "general hazard department" rates all others excepting the Restricted Sprinkler Schedule risks. After the rate has been computed notice is published in the daily bulletin of the Exchange and the old rate card is taken out of all rate cabinets and replaced by a new one. This rate card shows the street location of the building and the rate thereon, the names of all occupants and the rate applying to the property of each. It also shows the survey number, the map number, a classification number, the date when the rate became effective and all warranties required, if any. No rate cards are carried in the cabinets for risks rated by minimums solely.

Sprinklered risks rated on the Restricted Sprinkler Schedule are taken care of by the automatic sprinkler department. This department also grades the sprinkler equipments in risks not rated on this schedule.

The brokerage department performs all the work incident to the certification of brokers by the Exchange. Applications are passed upon prior to submission to the Brokerage Committee, inspections are made, complaints investigated and all correspondence relating to brokers' matters is conducted by this department. A filing system is maintained which shows a record of all correspondence, etc., with every broker who ever had, or now has, a certificate from the Exchange.

A counter is maintained where brokers or assured may receive information regarding risks in which they are interested.

If the broker considers the rating on a risk improper, he has an opportunity to consult one of the heads of the rating departments. If he fails to receive satisfaction from the head of the rating department, he can appeal to the manager or the rate committee.

FISCAL

The expenses of the Exchange are met principally by assessments levied upon its membership. Assessments are based upon the annual premium income as reported by the companies for the fiscal period ending June 30th of each year. They are made semi-annually, the exact dates varying according to the needs of

the Exchange. The annual assessment for a number of years has averaged about $\frac{3}{4}$ of 1 per cent. of the premium income received by members in Exchange area. The amounts realized on assessments each year follow:

Year ending June 30, 1900.....	\$103,524 75
Year ending June 30, 1901.....	120,283 79
Year ending June 30, 1902.....	168,491 72
Year ending June 30, 1903.....	166,106 31
Year ending June 30, 1904.....	127,704 03
Year ending June 30, 1905.....	108,053 80
Year ending June 30, 1906.....	229,187 65
Year ending June 30, 1907.....	128,151 84
Year ending June 30, 1908.....	147,831 07
Year ending June 30, 1909.....	112,482 62
Year ending June 30, 1910.....	127,226 57
Year ending June 30, 1911.....	168,818 55

The Exchange has also derived a large annual income from its brokerage department. This source of revenue to the Exchange terminated, however, on October 1, 1912, when section 141 of the Insurance Law in its amended form went into effect. This law prohibits the collection of any licensing fee by rating associations from brokers who have been licensed by the State.

The income to the Exchange from the brokerage department follows:

For the year ending February 28, 1900.....	\$1,580 00
For the year ending February 28, 1901.....	17,085 55
For the year ending February 28, 1902.....	16,082 50
For the year ending February 28, 1903.....	18,244 42
For the year ending February 29, 1904.....	19,304 50
For the year ending February 28, 1905.....	32,356 00
For the year ending February 28, 1906.....	39,854 00
For the year ending February 28, 1907.....	40,278 89
For the year ending February 29, 1908.....	40,526 00
For the year ending February 28, 1909.....	40,803 66
For the year ending February 28, 1910.....	66,464 00
For the year ending February 28, 1911.....	72,497 05
For the year ending February 29, 1912.....	65,258 16

RATES

One of the objects to be attained by the Exchange in fixing rates to be charged for risks or classes of risks in the territory of the Exchange was described by the manager to be —

To provide such a premium income from the aggregate of fire underwriting operations in the Metropolitan District as will in average years be sufficient to pay the losses incurred in that district, plus the specific expense, and a pro rata share of the general expense of doing business, and yet leave margin enough both to pay a fair profit on the capital and surplus invested and to provide for the accumulation of a reserve against extraordinary or conflagration losses not occurring in average years, and not to be treated as exclusively a Metropolitan District Contingency.

It is estimated that there are over 300,000 buildings in the territory of the Exchange. These buildings and their contents are rated either by minimum class rates or by schedule and in some instances by special flat rates.

All rates fixed or promulgated by the New York Fire Insurance Exchange are based on the 80 per cent. co-insurance clause. When the 100 per cent. clause is attached a 10 per cent. allowance from the printed or minimum rate is allowed at the counter. The 80 per cent. co-insurance clause may be waived on household furniture if the value does not exceed \$2,500.

MINIMUM RATED RISKS

Of the three hundred thousand and odd buildings in the territory of the Exchange, over 250,000 of them, with their contents, are in the minimum rated classes. These buildings are subject to a minimum class rate based principally upon the character of the occupancy. These minimum rated risks consist mainly of dwellings, stores-and-dwellings, churches, schoolhouses and private stables, although there are numerous other classes which may be written by the Exchange members at the minimum rates as published by the Exchange in its hand-book. Following are the minimum annual rates for dwellings and household furniture. All of these risks may be insured for three years at two and one-half times the annual rate.

	<i>Household Building furniture</i>	
Dwellings occupied by not more than two families — brick	.10	.16
Dwellings occupied by not more than two families — frame	.16	.20
Dwellings (flat houses) — brick	.15	.20
Dwellings (flat houses) — frame	.20	.24
Dwellings, stores on grade floors — brick	.20	.24
Dwellings, stores on grade floors — frame	.40	.40
Private stables — brick	.20	.26
Private stables — frame	.32	.32

Since 1902, the above minimum rates for risks located in South Brooklyn have been increased 50 per cent.

In Long Island City, the following rates apply:

	<i>Household</i>	
	<i>Building</i>	<i>furniture</i>
Dwellings — brick	.20	.24
Dwellings (detached 25 ft. or more) — frame.....	.30	.30
Dwellings (detached less than 25 feet) — frame.....	.40	.40
Dwellings, stores on grade floor — brick.....	.25	.35
Dwellings, stores on grade floor (detached 25 ft. or more) — frame	.50	.50
Dwellings, stores on grade floor (detached less than 25 ft.) — frame	.70	.70
Private stable (detached) — brick.....	.30	.30
Private stable (detached) — frame	.30	.30

In frame rows of three or more risks adjoining or detached less than three feet, an extra charge is made for each additional frame building.

SCHEDULE RATING

The first attempts at rating by schedule in New York City apparently date back to the year 1839, when a tariff of rates was issued on warehouses and stores containing a list of deficiency charges to be imposed whenever the conditions to be penalized were found to exist. Up to that time, all insurable property was classified in one of a very few groups for each of which a minimum rate was in force. In 1860, special surveys for various kinds of manufacturing were in use. By this time the system of minimum rating by groups had been abandoned and a more pretentious system of classification had taken its place. The first detailed schedule for rating was evolved in St. Louis in the year 1874 and its use was begun by the local board of that city the following year. This schedule was used to determine the building rate, regardless of occupancy, and charges were provided for contents, based upon their combustibility and susceptibility to damage. It began with a rate for a standard building, to which were added charges for thickness of walls, for roofs, height, areas, cornices, skylights, hatchways, wellholes, elevator shafts, communications and exposures. This schedule was followed by others adopted in other cities and constructed along similar lines.

The construction of the Universal Mercantile schedule was the most important and ambitious advance made by underwriters in

the matter of schedule rating. A committee of four underwriters, of which F. C. Moore was chairman, was appointed in 1891, and the schedule was evolved after deliberations extending over a period of almost two years, and after conferences and correspondence with underwriters in all parts of the country. The Universal Mercantile schedule represented the first systematic attempts to bring about uniformity in schedule rating and place such rating upon sound and defensible principles. It should be stated, however, that not much progress has been made along these lines. The Universal Mercantile schedule is not universally applied as was apparently originally intended, its use in modified form being generally confined to the larger cities in the New England and Middle States, and then only to certain classes of risks, numerous other schedules built upon different plans being employed upon various other classes of risks.

There are many schedules in use, but none of them as elaborate as the mercantile schedule. Following is the ordinary procedure when a new schedule is to be prepared for and applied to a class of risks. A considerable number of representative risks of the class or classes to be dealt with are selected and full surveys thereof made. A tentative schedule, very probably compiled or modified or combined from some other schedule or schedules already in use for rating somewhat similar classes, is then prepared and applied to all the surveyed risks. A study of the resulting rates is made to ascertain whether any considerable change is made in the existing rates on any group of these risks, as computed under the old schedules already in use, and whether such changes are in the direction of a general increase or decrease such as it has been agreed the rerating ought to show; or if the average of existing rates is believed to be approximately correct but the differences between individual rates irregular or erratic, the new schedule is examined and, if necessary, modified so as to produce on the class and on as large a number of individual risks as possible the relative results aimed at.

SCHEDULE RATED RISKS

There are approximately 50,000 buildings and contents specifically rated by the Exchange under schedules. The following schedules are used for the various classes of risks:

The Exchange (or Universal) Mercantile Schedule:

(Fireproof and non-fireproof.) These schedules are applied to risks occupied throughout for business purposes, such as the buying and selling of goods, or light manufacturing, such as clothing manufacturing.

The Manufacturing Schedule:

This schedule is applied to heavy manufacturing hazards. Heavy printing, wood-working and metal-working establishments are rated on this schedule. Clothing manufacturing concerns in Brooklyn and outlying sections and all frame risks having light manufacturing occupancy are also rated on this schedule.

The Green Schedule:

This schedule is applied to non-fireproof dwellings, apartments, hospitals, asylums, clubs, schools and store-and-dwellings which are over the minimum height and area, and to buildings, two or three floors of which are devoted to dwelling occupancy and the first and second floors of which are used for very light manufacturing purposes.

The Merchandise Schedule (General Schedule):

This schedule is used for rating stores-and-dwellings which are under the limit of height and area, but which are taken out of the minimum rated class on account of the grade floor occupancy. It is also used for rating livery stables and garages.

The Restricted Sprinkler Schedule:

This schedule is used for rating risks protected by high-grade automatic sprinkler equipments not seriously exposed.

In addition to these, 17 special schedules are used for special classes—breweries, car barns, car repair shops, hotels (fireproof), hotels (non-fireproof), ferry houses, furnished room houses, lodging houses, electric light and power stations (fireproof), electric light and power stations (non-fireproof), chemical works, sugar refineries, theatres, furniture storage warehouses (fireproof), meat products, piers and churches.

Approximately one-fifth the entire number of schedule-rated risks in Exchange area are rated number mercantile schedule.

The essential features of the mercantile schedule are—

1. A city key rate.
2. Building construction standards.
3. Hazards of occupancy.
4. Exposure hazards.
5. Basis for stock.

The building rate is made up of charges and credits from items 1, 2, 3 and 4, and the contents rate is made up from the same items plus the stock basis, items 2 and 4 being slightly modified when applied to the contents rate.

The city key rate is based upon the city's fire department, water works and water supply, building laws, width and accessibility of streets, etc.

The standard building is a building of limited height and area having brick or stone walls of certain thickness, elevators and stairways properly cut off, heated by steam, lighted by gas and other features of construction in accordance with rules or standard specifications. Deficiencies or deviations from these standards are charged for and exceptionally good features better than standard are recognized by an allowance.

The hazards of occupancy are charged for according to the ignitibility or combustibility features of the occupancy, it being recognized that the susceptibility of stock to damage from fire, smoke or water, is not a hazard to the building.

The exposure hazard consists of the danger of damage from neighboring risks. The exposure charges are based upon the rates of the exposed and the exposing risks, and are calculated in accordance with a complicated table, which takes into consideration the distances between the exposed and exposing risks, height of risks, length of exposed and exposing sides, and sundry other features. The exposure charge to the contents is quite generally higher than the exposure charge to the building.

The stock basis is a charge to stock contents based upon its susceptibility to damage. This charge is added to the building rate in order to obtain the rate for contents.

A percentage deduction is made from the final rates arrived at by the mercantile schedule for the 80 per cent. co-insurance clause.

The non-fireproof manufacturing schedule differs materially from the mercantile schedule in arriving at the contents and building rates. This schedule starts with a base rate charge for occupancy. To this base rate are added charges for the deficiencies in the construction of the building, the lack of fire fighting appliances, the presence of extra hazardous material and the probability of extra hazardous processes; exposure hazards are also considered, the total thus obtained being the rate for contents. The building rate is figured from this contents rate, being either 50 per cent. or 70 per cent. according to the hazard of the occupancy. Both the contents and the building rates are subject to further charges, such as district advances or multiple occupancy charges. No reduction is allowed from the final rates produced by this schedule for the 80 per cent. co-insurance clause.

In some schedules, the brewery schedule for example, the method of arriving at the contents and building rates differs from both of the above. On brewery risks the building rate starts with a base rate to which are added certain charges for deficiencies in the construction of the buildings. The contents rate is figured separately from the building rate, the base rate being somewhat higher than the building base rate. To the base rate for contents are added the charges for deficiencies in the building construction, these charges being in some cases the same and in others higher than the charges added to the building base rate for similar deficiencies. All of the schedules in use, except the restricted sprinkler schedule, seem to embody the principles of one or the other of the above described schedules.

In the mercantile schedule, the damageability, ignitibility and combustibility features of the occupancy are recognized in the rating of the building. In other schedules these features are only partially recognized or entirely ignored.

Schedule rating is theoretically a scientific process. In practice it is scientific to this extent—expert engineers and underwriters establish standards of construction, equipment and management based upon experience or knowledge; these standards enable trained inspectors or surveyors to inspect and intelligently report upon risks. Here the scientific process seems to end, perhaps unavoidably so. The attempt to place a value upon the

items which are used to building up the schedule is neither scientific nor essentially equitable. The lack of scientific application to the valuation of the individual items of the schedule is due to the impracticability of even approximately ascertaining the share which each condition contributes toward the general results. It may, however, be accepted as a fact that the charges designed for each schedule are sufficiently high or sufficiently numerous to produce results in the aggregate satisfactory and profitable to underwriters. Failure of a schedule to produce results satisfactory to a comparatively insignificant number of underwriters may be made the occasion for an agitation to make changes in it. The making of a charge for a non-standard condition serves to call the attention of the insured to the fact that he is being penalized for that condition. If the insured incurs the expense of improving the condition in accordance with the established standard, he receives a reduction in rate. There is, of course, no pretense that such rate reductions are scientific to any greater extent than was the original schedule charge. It, therefore, may happen that underwriters may obtain the impression that in certain classes the reduction in losses did not keep pace with the reduction in rates, or that the rates as reduced by improvements are lower than in the judgment of the underwriters they should be. To overcome these conditions or similar conditions brought about in other ways, the rates may be increased by advancing base rates, by a flat or percentage addition to the schedule, by the insertion of new items in the schedule charging for conditions previously waived or ignored, by increasing old schedule items or by substituting an entirely different schedule. As recent examples of the above may be cited the garment manufacturers' advances, the omnibus tenant charge, the advance in the contract tailors' occupancy charge and the rating of fireproof manufacturing risks with unprotected iron-work on a non-fireproof schedule. The application of the green and general schedules to the rating of certain risks which are generally minimum rated may be included in the list of illustrations. This last may be further explained by stating that, for example, a non-fireproof store and dwelling risk would ordinarily receive a minimum rate of 20 cents per annum. If the risk

is over 2,500 square feet in ground area and over five stories in height, it would, under the rules of the Exchange, be subject to specific rating. In such cases the green schedule would be applied. The risk, however, may be of superior construction with hazardous conditions removed or properly safe-guarded so that the application of the green schedule would produce a rate less than the minimum. In such cases the green schedule is discarded. The risk, however, is not put back in the minimum rated class, but the merchandise or general schedule is used. As the general schedule is built up from an initial or base charge equal to the minimum, it follows that the rates produced by this schedule will not be less than the minimum. Notwithstanding that such risks are rated on schedule, and that schedule rating is professed to be based upon merits and faults of construction and fire extinguishing appliances, there are conceivable and probable instances where the above rule would result in risks of superior construction with entire absence of hazardous conditions faring no better as far as rates are concerned than poorer risks with hazardous conditions present.

AUTOMATIC SPRINKLER DEPARTMENT

The question of meeting competition has never been a very important one to the membership of the Exchange, excepting in the field of sprinklered risks. The institution of licensing brokers and making their continuation in business practically contingent upon their living up to the terms of the pledges signed by them, has proved an effectual barrier to possible encroachments by non-board companies. So far as stock companies are concerned, the monopoly maintained by the Exchange is complete, every company doing business within its area, with the exception of non-admitted surplus line companies, is a member. This absolute control of the field by the Exchange has existed practically since its inception in 1899.

The Exchange has, however, always been confronted by keen competition on the part of the factory mutuals for the better factory risks in its territory. These factory mutuals write only high grade risks; if a risk which they are willing to write is not equipped with a sprinkler equipment, they will furnish plans and

specifications for the installation of a standard equipment and place at the service of their prospective client the best fire prevention engineering talent obtainable. In choosing their business they avoid risks subject to a heavy exposure or conflagration hazard.

Agitation among the membership of the Exchange was commenced very early in its career toward devising ways and means of effectually meeting the competition of the factory mutuals and thus to avoid the loss of much desirable business by the stock companies.

On March 15, 1901, the following action was taken: "Resolved, that no rate on a so-called competitive basis disregarding schedules or other rules of the Exchange shall be made or promulgated unless approved by a 90 per cent. vote of the members present and voting at a regular meeting or a meeting specially called." Individual action on each threatened risk seems to have been unsatisfactory, however, for a special committee was appointed in April, 1903, to consider the entire subject and to make recommendations to the Exchange. This committee recommended the creation of a sprinklered risk committee, such committee to have jurisdiction only over sprinklered risks actually threatened by mutual competition and those already insured in mutuals. It was to have the sole power of fixing rates on risks coming within its jurisdiction. No definite action was taken upon the report of the committee, but it was referred back for further consideration. An amended report was submitted by the committee in January, 1904, which was again referred to the rate committee about a year later.

The rate committee rendered another report in June, 1905. It did not recommend the adoption of the special committee's report owing to the fact that a part of the Exchange membership was opposed to placing the power to name "flat competitive rates in any hands other than those of the entire Exchange." The committee found that no schedule then in use could produce rates low enough to hold sprinklered business against mutual competition, the base rates being too high. It voiced the opinion that "these varying bases are not necessary in rating sprinklered risks because positive sprinklered protection tends to equalize the quality of the

occupancy hazard to practically one level." It was also asserted that the ordinary schedule charges for deficiencies should not apply to sprinklered risks which measured up to Mutual standard, on the ground that such defects become practically negligible as a result of the protection afforded by the sprinkler equipment. The report further states that "There is consequently need for a rating procedure that will prevent the loss to the members of this Exchange of such sprinklered risks as they may wish to retain. It is essential that such procedure shall produce a rate that will be low enough to hold the business to stock companies. To do this, the charges should be based upon the cost value of sprinklered business as such, abandoning the idea of making charges intended to invite (or force) improvements that in risks of this character are not vital. Competitive business cannot be successfully rated by the latter method." After outlining the make up of the schedule, the committee concludes its report with the following: "The proposed schedule has been tentatively applied to a number of risks having positive sprinkler protection, and has produced rates that we believe will satisfactorily meet mutual competition and at the same time show better results than if made upon a flat basis."

It is clearly evident from the above that a condition existed which needed exceptional treatment if the companies were to be successful in their efforts to hold such risks "as they may wish to retain." The restricted sprinkler schedule was devised to meet this need and forms a part of the committee's report.

The inspection and general superintendence of sprinkler equipments within Exchange territory, controlled until then by the New York Board of Fire Underwriters, passed into the hands of the newly organized automatic sprinkler department of the New York Fire Insurance Exchange on September 1, 1905, and indeed the work of rating sprinkler equipments under the newly adopted sprinkler grading schedule, which forms the basis for restricted schedule rating, was taken in hand before that date. After completion of this work the department found that it had 450 risks in its territory with graded equipments and eighty risks with sprinklers for which no credit whatever could be allowed. It also had a record of approximately fifty risks which were then insured in factory mutuals.

As soon as the new schedule had been adopted requests for the services of the automatic sprinkler department came from many sides. It became necessary to pick the risks which were to receive first attention; those still insured in the stock companies but threatened by mutual competition were chosen for the new rating first, while those already in the mutuals received consideration only after the first class had been attended to. By September, 1905, the reinspection of sprinklered risks under the new schedules was completed and the new ratings went into effect.

That the rates produced by the restricted sprinkler schedule were sufficiently low to hold the business is attested by the fact that at the present time there are no more than 60 risks within the territory of the Exchange that are insured by factory mutuals. There has been a steady increase in the number of sprinkler equipments, the records showing that there are now 951 graded equipments under the control of the department and about 50 more risks wherein the work of installing systems has been commenced. The recent rapid increase in sprinkler installations and that expected in the immediate future is largely due to recent legislation making the installation of sprinklers compulsory in certain classes of risks.

The work of the automatic sprinkler department is not limited to the inspection of sprinklered risks, their grading and the application of the restricted sprinkler schedule to a certain portion of these. It includes the preparation of requirements for the protection of risks, approval of new equipments, the inspection of plans showing proposed equipments, and of the materials to be used, and tests of sprinkler heads, pumps and pipes. It also makes analyses of water and air in sprinkler systems and investigates all fires occurring in sprinklered risks. The expert advice of the department's engineers is sought by the insured, as well as by architects, builders, and sprinkler companies. There is no charge for any service by this department. The automatic sprinkler department also passes upon appliances not approved by the Chicago Laboratories and sometimes grants its approval for their use in Exchange territory. Risks on the restricted sprinkler schedule are regularly inspected once every three months or

as near thereto as possible. Several of the largest risks are inspected as often as once every two weeks.

The department, in addition to the supervisory control it exercises over sprinkler equipments by means of its inspections and the reports rendered to it every month by the assured, sends a cautionary notice to every assured in the fall of the year in which the dangers of cold weather to sprinkler equipments are pointed out and suggestions made as to how they may be avoided. In the spring another is sent out wherein attention is called to possible damage done during the winter and specific instructions for mode of inspection to discover these, together with remedial methods, are given.

THE RESTRICTED SPRINKLER SCHEDULE

The restricted sprinkler schedule, devised and adopted in 1905, presents a radical departure from the accepted methods of schedule rating. The ordinary schedule starts with a base or key rate to which are added charges for whatever defects the survey of the risk to be rated discloses. The restricted sprinkler schedule on the other hand provides for only four charges in the make up of the rate. It is admirably adapted to the application of a maximum amount of judgment in the rating with a minimum amount inflexibly fixed by the schedule. In fact, of the four charges provided in the schedule only one is positively fixed, while another is a percentage charge.

AFFILIATIONS

The principal and the special function of the New York Fire Insurance Exchange is to fix and maintain rates. All other activities tend to facilitate or strengthen this function. For reasons of economy or uniformity or expediency many activities which have an important bearing upon the rate-making function are performed by or delegated to other organizations. The Exchange is associated with these organizations either through a common membership or through the activity of its own employees in the work of such organizations. Among the more important of these organizations may be mentioned the National Board of Fire Underwriters and the Underwriters' Laboratories, The National Fire

Protection Association and the New York Board of Fire Underwriters. These organizations are variously engaged in testing devices of a protective or hazardous nature, analyzing effects of fires upon different material, studying the causes and spread of fires, approving fire-resistive and fire-preventive appliances, establishing standards tending to prevent or minimize the fire hazards, and formulating rules to promote uniformity.

While the Exchange adheres quite closely to the standards and rules of the various organizations, it is permitted sufficient freedom to modify the standards and rules and to approve appliances as local exigencies may require.

Of the numerous allied underwriters' associations, the Exchange is most intimately connected with the New York Board of Fire Underwriters. Among other activities, the New York Board adopts rules and standards regarding conditions of special hazard such as electrical installations, construction of heating apparatus, storage of combustibles, etc. The Board inspects risks with special reference to these hazards and the Exchange accepts the Board's reports on these inspections and makes them the basis of charges in the ratings of the inspected risks. Charges imposed because of inspection reports of the New York Board are removed when the New York Board reinspects the risk and reports that the hazardous conditions are in accordance with the approved standards. Until the New York Board so reports, these charges are retained by the Exchange, notwithstanding that the cause of the charge may have been removed and such removal confirmed by an Exchange inspection. The Board makes its general inspections regarding unsafe conditions without charge to the property owner, but inspections of electrical equipments, and until recently inspections of storage conditions of combustibles, were made only upon the request of the property owner and upon payment of an inspection fee. Failure of the property owner to request an inspection of the storage conditions of combustibles and failure to receive a certificate of approval from the New York Board subjected the property owner to heavy penalties in the rating of his property. This practice was recently abandoned following a complaint by a garage owner to the insurance department.

The New York Board at one time inspected and approved of

sprinkler equipments, but this has been entirely turned over to the Exchange, a special department for this purpose having been created as a part of the Exchange.

In referring to the important work of the Board, mention should be made of the rules regarding storage warehouses. Warehouse owners agreeing to store only certain stipulated articles (non-hazardous and non-poisonous) receive special recognition by the Exchange in the matter of rating building and contents.

The Board also takes an active part in the inspection and approval of automatic and auxiliary fire alarm systems, the Exchange granting an allowance in rating for such systems which have the approval of the Board.

The approval by the various underwriting bodies of designated appliances or systems, such for example as sprinkler heads and automatic alarms, has apparently facilitated the establishment of monopolies, the owners and sellers of the approved appliances seemingly combining to maintain prices at certain levels, and as is the case with manufacturers of approved sprinkler heads, refusing to sell the heads unless the manufacturers also receive the contracts to install the sprinkler equipments. Although the creation of this monopoly may have been unintentional on the part of the underwriting bodies, they have not been sufficiently careful to discourage it and keep within reasonable limits the cost of installing and maintaining fire prevention equipments and appliances. In such matters, however, the Exchange is only one of the units composing a ramified system.

RULES

In addition to the rules embodied in the agreement, the Exchange has adopted, by Exchange or committee action and also through manager's rulings and office practices, numerous rules covering not only rates, but agencies, commissions, policy forms and clauses, privileges and warranties. The great bulk of these are published in the hand book issued by the Exchange and their primary object is to insure uniformity of action on the part of Exchange members and thereby avoid competition in the important matter of forms and privileges, as well as in rates. There are also hundreds of rules in force governing the office practices

or growing out of the office practices which amplify or modify the general rules relative to the application of the rating schedules and every rate promulgated is in some manner affected by these rules. Many of these rules (and some of them might more accurately be termed exceptions) were adopted to correct inconsistencies or unfairness produced by the general rules; some of them were adopted as a matter of expediency, and some of them were handed down from previous rating organizations. Occasionally a rule would be devised for the purpose of effecting a change in an individual risk.

No one person is familiar with all of these rules, and until recently there has been no systematic attempt to collate them. While there is no attempt to keep these rules secret, they nevertheless fail to receive the proper degree of publicity. It is now the practice to print the rulings when adopted in the bulletin which is published daily by the Exchange, but earlier rules still in force are not widely known. As a result, brokers are quite generally ignorant of rules, a knowledge of which might enable them to be of greater service to their clients. Brokers who, either through long experience or otherwise, have acquired possession of a goodly number of these rules, prize them and guard them as something which gives them a material advantage over their less fortunate competitors.

There are also many minimum base rates which are used in the general hazards department, which have never been published. These minimums, as well as the unpublished rules, should be properly arranged in some suitable form easily accessible to brokers and others who may be interested in them.

EXPOSURE CHARGE

Prior to July, 1900, it appears to have been the practice of the Exchange to treat the exposure charge as a judgment charge; that is, the rater made such charge as his judgment seemed to justify. With the adoption of the mercantile schedule in July, 1900, by the Exchange, risks rated under the mercantile schedule were charged with exposures calculated in accordance with an exposure table which formed part of that schedule. This table attempts to reduce the method of calculating the exposure charge

to a system with a semblance of scientific justification. Cognizance is taken of the differences in rates between the exposed and exposing risks, distances between risks, height of risks, length of exposing and exposed sides and protective conditions, such as blank walls or wall openings with fire shutters or wired glass windows. It is the practice, under the mercantile schedule, to select a risk on each of the four sides of the risk to be rated, which will, according to the exposure table, produce the highest exposure charge from that side. The four risks so chosen are used to figure the total exposure charge. Risks separated by a distance of 100 feet are, however, not considered exposures. The exposure table (as part of the mercantile schedule) has been applied to mercantile risks virtually without change of method since its adoption in 1900. As compared with the exposure table recommended by the Universal Schedule Committee in 1893, the Exchange table is more liberal in its charges for exposures from large area risks, but less liberal in the matter of allowance for standard fire shutters. Excepting some few further differences of a minor character, the Exchange exposure table and the Moore exposure table are identical.

Although the exposure table was adopted in 1900 and applied to risks rated on the mercantile schedule, risks rated on other schedules continued to receive exposure charges based upon the judgment of the raters for some time thereafter. The principal reason for this appears to have been that the strict application of the exposure table would have very materially increased the then current rates. Gradually, however, the use of the exposure table was extended, and although for a considerable period its application was made in a rather lax manner, it is stated that in more recent years it has been more rigidly applied to all classes of risks. The application of the exposure table to manufacturing risks is somewhat modified as compared with its application to mercantile risks. The manufacturing risk is not charged with an exposure unless the exposing risk has a building rate at least fifty cents in excess of the building rate on the manufacturing risks. The calculation is then made in the same manner as on the mercantile schedule, the same factors and values being used, subject, however, to numerous modifications due to the different

office practices employed in the different departments of the Exchange.

Sprinklered risks receive exposure charges in accordance with the rules or practices applicable according to the schedule on which they are rated. That is, if a risk is rated on the mercantile schedule, the rules of the mercantile schedule department apply; or if it is a manufacturing risk, the rules of the general hazards department apply. The exposure charge, however, is subject to an allowance proportional to the grading of the sprinkler equipment. Should, however, the risk be rated on the restricted sprinkler schedule, the exposure table as used for mercantile risks is applied. In this case it is considerably modified by providing that certain classes of risks shall not be considered as forming exposures, the effect being to considerably lessen the exposure charge.

The above states in brief outline the broad general rules of applying the exposure charge in the three rating departments of the Exchange. There appear to be, however, numerous special rulings and office practices in force in the different departments of the Exchange. These differ from the general rules in force in those departments, and often materially modify or completely waive the application of the exposure charge on classes of risks or even in cases of single individual risks. A full record of these rulings and office practices does not seem to be kept in accessible form, as it required efforts extending over several months to produce even a fairly complete enumeration of these rulings and office practices.

The "exposure" rules of the different departments, affected by scores or possibly hundreds of modifications, result in a great variation in the exposure charge as applied to risks rated on different schedules, and in fact as applied to risks rated on the same schedules, but belonging to different classes. As an example of the inconsistencies produced by these rules may be cited two sprinklered risks which mutually expose each other, one risk rated on the restricted sprinkler schedule, the other risk rated on the mercantile schedule. Under the Exchange rules the low rated restricted sprinkler risk does not receive an exposure charge from the higher rated mercantile schedule risk, but the mercantile

schedule risk receives an exposure charge from the lower rated restricted sprinkler risk.

Great as is the variation in the methods of arriving at the exposure charges of different risks, there seems to be as great a variation in the relationship of the exposure charge as applied to stock or contents when compared with the exposure charge applied to buildings.

In this connection attention may be directed to the injustice resulting from unfair discriminations between classes as shown in the exposure charge. The unfair discriminations may be caused by the differences in the basis rates applied to different classes, or they may be caused by the application of different schedules which produce rates which do not harmonize with one another. For example, a sculptor's studio would furnish a basis for a greater exposure charge than would a gas plant; a garment manufactory would produce a larger exposure charge than a sugar refinery, and a private printing establishment would produce a larger exposure charge than a newspaper printing plant.

A specific instance of injustice in the application of the exposure charge may be cited in the old "sweatshop" ratings and the newer "contract tailor" ratings. Formerly buildings which were classed as "sweatshops" by the Exchange were rated at \$4 per \$100. This rate was intended to take care of the actual physical hazards, as well as a suspected moral hazard. The injustice of figuring a suspected moral hazard excessively penalized as an exposure to neighboring risks was recognized by the Exchange, and only half the "sweatshop" rate was taken in figuring the exposure. No such consideration is given when figuring the exposure charge from the new "contract tailor" rates which were recently substituted for the "sweatshop" rates, although the "contract tailor" rates were loaded with excessive moral hazard charges.

A further specific illustration of the injustice and crudities embodied in the exposure rule may be shown by the exposure charge derived from garment manufacturing risks. In 1911 when the garment manufacturing risks were advanced, the base rate for manufacturers of men's garments was advanced from \$1 to \$1.25, and the base rate for manufacturers of women's

garments was advanced from \$1 to \$1.50. These advances were believed to have been made necessary partially because of an alleged moral hazard and partially because of the increased losses due to unsatisfactory returns from salvaged stock. The difference in the advance, however, was not based upon a difference in the hazards, but because, as it is claimed, experience has shown that the salvage returns from the stock used in the manufacture of women's garments would be proportionately less than the salvage returns from the stock used in the manufacture of men's garments. When rated on other than the mercantile schedule, these base rates affect the building rate, and the building rate in turn affects the exposure charge. Therefore, neighboring risks find themselves taxed with a higher exposure charge because of the contents of the exposing building are likely to produce poor salvage returns. A similar state of affairs exists to some extent in the exposure charge from buildings rated on other than the mercantile schedule and which take their charge from highly-rated, susceptible contents; because a building contains stock which is peculiarly susceptible to damage from smoke and water, the neighboring risks are apt to receive higher exposure charges.

Another objectionable feature of the exposure charge is the difficulty the insured has in ascertaining the component parts of the rates which serve as the basis of his exposure charge. Hazardous conditions maintained by a property owner affecting the entire neighborhood would be more speedily removed if the knowledge of the conditions were general, more especially if the dangerous conditions exist in violation of the laws. For example, the improper storage of combustibles or explosives, when coming to the knowledge of the Exchange, result in increased rates in the risks of the offending property owners, the increased rates, in turn, affecting the neighboring risks by means of the exposure charge. The reasons for the advanced rates are not divulged by the Exchange to interested and affected neighbors, nor would the Exchange consider it a part of its duties to co-operate with the fire prevention authorities to have the improper conditions remedied.

The Exchange exposure table has remained practically unchanged during the thirteen years of the existence of the Ex-

change. The use of the table during that period has been steadily extended, until it now covers almost all classes of risks and its application, where used, has in recent years become more rigid. As a result, the exposure charge now constitutes a more important element of the rates fixed by the Exchange than at any period of its existence. And this, notwithstanding that the exposure hazard has been materially lessened by the installation of the high-pressure system, and an increased efficiency of the fire fighting force through the acquisition of more powerful engines, fireboats, improved fire fighting equipment, numerous appliances and additions to the force. Experience has shown that high grade sprinkler protection tends to equalize the quality of occupancy hazard to one level, and that the otherwise serious defects become practically negligible as a result of such protection. Similarly, the high grade public protection against fire has a tendency to equalize the exposure hazard from risks of varying character, although underwriters fail to recognize it in the rating.

DISTRICT CHARGES

In addition to the various advances still in force in certain portions of Brooklyn, originally imposed to cover an additional hazard created by a deficient water supply, the Exchange imposed other district charges in various districts of its territory. The very origin of some of these charges is clouded in obscurity. They were referred to as "Traditional" charges and the Exchange could offer no justification for continuing to impose them.

Among these charges was one of five cents added to all specifically rated risks located in the following three districts:

(a) Manhattan north of 170th street and Bronx west of the Bronx River.

(b) That portion of Brooklyn lying north of a line beginning at East River and Broadway, running along Broadway, East New York avenue, Hopkinson street, Newport avenue, New Lots avenue, thence east and north until reaching the old city line at Atlantic avenue.

(c) That portion of Brooklyn within a line beginning at Hamilton avenue and East River to Third avenue; 20th street, Fifth avenue; 36th street, Seventh avenue; 37th street, Ninth avenue; 59th street to East River.

These charges were said to have been in existence long before the organization of the Exchange, and when the Exchange began operations the charge was included in the ratings of the Exchange.

On January 19, 1909, the rate committee decided to recommend the removal of the above charges (b) and (c), but on January 26, 1909, this action was rescinded because it was reported that the municipal fire alarm system was out of commission for a considerable period following a heavy snow storm. These charges, including district charge (a), were finally removed by action of the Exchange on February 11, 1913.

In Long Island City the Tariff Association, a predecessor of the New York Fire Insurance Exchange, fixed a district charge of twenty-five cents to be applied to all specifically rated risks located in certain portions of Long Island City and a similar district charge of fifteen cents to be applied to risks located in the rest of Long Island City. Special minimum rates applied to dwellings, stores and dwellings and private stables located in Long Island City. These rates are considerably higher than the regular rates in force in other portions of New York City and have been referred to in this report under "Minimum Rated Risks." These district penalties were originally fixed by the Tariff Association more than sixteen years ago, adopted by the Exchange when it was organized and have been in force continuously ever since.

The key rates of the mercantile schedule may also be classified as district charges. When the Exchange adopted the mercantile schedule in 1900, the key rate for Manhattan was fixed at ten cents, for Brooklyn at twenty cents, and for the Bronx at twenty cents. Exactly how these key rates were arrived at, it would be difficult to explain. At a recent meeting of the Exchange (February 11, 1913) it was voted to fix the key rate at ten cents for all of the above territory. The different key rates for different parts of the city affected only those risks which were rated on the mercantile schedule, other schedules containing no provision specially recognizing those features considered in the make up of the key rates. No key rate has been fixed for Long Island City as the Exchange rates no risks there under the mercantile schedule.

IMPORTANT RATE CHANGES

Subsequent to the firm establishment of the Exchange, action was taken at various times which brought about serious rate changes affecting large numbers of risks. Among the more important occasions may be included the district advances in Brooklyn in 1902, the "Equalization of Rates" in 1903, the San Francisco advance in 1906 and its subsequent partial rescission and the reduction allowance for the high pressure systems.

DISTRICT ADVANCES IN BROOKLYN

The water supply and Fire Department of Brooklyn engaged the attention of the underwriters in the earliest days of the Exchange, and under date of July 11, 1900, the Exchange passed the following resolution:

That the Committee on Rates be given the authority, in their discretion, to advance the rates adopted on dwellings, apartment houses, and stores and dwellings, and household furniture therein, not exceeding 50 per cent., in such defined areas in the metropolitan district where the water pressure or fire department is found to be deficient.

The Rate Committee reported on March 18, 1901, that they deemed it inexpedient to attempt the application of increased minimum rates in different limited areas, one of the reasons being the difficulty in defining the boundaries within which such different minimums should apply.

On March 27, 1902, a special committee, known as the Committee on Minimum Rates and District Charges, was appointed. Under date of December 3, 1902, this committee made a report to the Exchange, in which attention was called to inadequate water supply, old water mains, lack of hydrants and fire department apparatus in various wards of Brooklyn. As a result of the recommendations in that report, the Exchange advanced the rates on December 11, 1902, dividing the Borough of Brooklyn into five districts for this purpose.

The application of these advances was immediately protested against by citizens' and manufacturers' committees, and numerous requests came from individual property owners for exemption from the advance. These requests were at first quite generally denied, but after a while the Exchange adopted a rule that high-

grade sprinklered risks which had two sources of water supply which were independent of each other and of the city mains would be exempted from the district charges. For some reason it was found necessary to exempt the Brooklyn theatres from the effects of the advance of December 11, 1902, and this was accomplished in a roundabout way by reducing the base rate to such extent that the addition of the district charge would produce a rate no higher than was in force prior to December 11, 1902. Electric light and power plants were also exempt from the district advances.

As a result of the continued agitation by the Citizens' Committee, and other organizations, reinforced by a report from the Chief Engineer of the City Water Department as to improvements completed or projected, the Exchange instructed its engineer to make a report showing the progress of the improvements in the water supply and distribution systems in Brooklyn. This report was rendered in September, 1904, and showed that contracts for improvements amounting to \$3,000,000 had been let or contemplated.

Although conditions were considerably and materially improved, no reductions followed the above report.

In December, 1905, the Exchange engineer reported upon the condition of District No. 1. The report stated that tests made in the district came up to the requirements, excepting in the northern part of the district, which section showed but little improvement. Accordingly, on December 22, 1905, the district advance was reduced to 10 per cent. on all risks in District No. 1, the original advances having been 30 per cent. and 25 per cent. It might be added that the Exchange had not committed itself to any standard of requirements, but when the tests were made, the requirements were the most rigorous that had probably ever been applied anywhere under similar circumstances.

Early in 1906 tests were made in District No. 2, the manufacturing district. In his report, the Exchange engineer stated that he found the water supply and pressure adequate in the northern portion of the district, but below the requirements in the southern section. Tests were also made in the adjacent section, designated as "Kent Avenue Section, Williamsburg." On

February 14, 1906, the Exchange reduced the district advances from 20 per cent. to 10 per cent. on risks in District No. 2 and in the Kent Avenue section. The Kent Avenue section was bounded by East River, North 14th street, Wythe avenue, Hewes street and the Wallabout Canal, and was up to this time included in what was termed in December, 1902, the "Remainder of Brooklyn." On November 14, 1906, the Exchange reduced the 20 per cent. advance to 10 per cent. in an extension of the Kent Avenue section, the boundaries of the section having been described as East River, North 14th street, Bedford avenue, Flushing avenue, Classon avenue, Wallabout Canal to East River.

In the meantime the city had been installing a high-pressure service in the mercantile section of Brooklyn. At the request of the Manufacturers' Association of New York and the Citizens' Committee of Brooklyn, the Exchange, in April, 1908, made further hydrant tests, including tests of the high-pressure service. As a result of these tests, the remaining charge on District No. 2 was removed on May 1, 1908, and at the same time the charge was removed from a new district, designated the "Wallabout District." The boundaries of this district were DeKalb avenue, Raymond street, Park avenue, Navy street, Flushing avenue, Clinton avenue, Wallabout Basin, Wallabout Canal, Hewes street, Classon avenue, Flushing avenue and Nostrand avenue. This district was formerly included in District No. 3 and the "Remainder of Brooklyn" or District No. 5, as it was later known. On the same date, May 1, 1908, the remaining charge of 10 per cent. was also removed from District No. 1, that district being located in the high-pressure zone; but there was immediately substituted therefor a 10 per cent. charge on account of the San Francisco advance of May, 1906, more than two years after the event. The charge remained in force in this district until November 10, 1909.

On December 9, 1908, the 10 per cent. charge attaching to risks in the Kent Avenue section, the 20 per cent. charge in the Williamsburg-Greenpoint section, and the charges pertaining to risks in the high-pressure zone in Districts Nos. 3 and 5 were removed.

On January 13, 1909, the district charge of 20 per cent. was rescinded in the Broadway-Western section, formerly a part of

District No. 5, bounded by Nostrand avenue, Flushing avenue, Bedford avenue, Grand street, Bushwick avenue, Flushing avenue, Broadway, Sumner avenue and DeKalb avenue.

The removal of advances by the Exchange thus far seemed to have been brought about or facilitated by the agitation and activities of various committees. These committees would lay out sections which were in fairly good shape, but which required some additional improvement to have the tests come up to the Exchange requirements. The Exchange having committed itself to remove the charge in any district as laid out by the committees, they would obtain the co-operation of the water department and have the district brought up to the "standard" as speedily as possible. The committees, however, failed to co-operate with each other, and they occasionally laid out districts which overlapped. The Exchange considered the lack of co-operation between the committees as sufficient reason for refusing to negotiate with any of them as to future reductions. Accordingly in May, 1909, the Committee on Minimum Rates and District Charges subdivided all the Brooklyn territory which was then subject to district charges into fifteen sections, and ruled that each section should be considered as a whole and any improvements made must cover an entire section as laid out by the Exchange before such improvements would be considered for a rate reduction.

Although there were many requests for reductions, and notwithstanding that the Water Department was making marked and commendable progress in its work of extending its excellently planned water system, there were no further reductions until April, 1912, excepting the remission on November 10, 1909, of the 10 per cent. advance on District No. 1 for the San Francisco loss imposed two years after the conflagration, and the reduction on June 9, 1910, in the 50 per cent. advance to 25 per cent. on minimum rated risks in the Coney Island high-pressure district. Though inadequacy of water supply was responsible for the original advance of 50 per cent. on the Coney Island minimum rated risks, it should be noted that only half the advance was remitted when the high-pressure system was installed.

On April 10, 1912, the district charge was rescinded from a portion of the Gowanus district, and on June 12, 1912, the charge

was removed from a portion of the Atlantic Avenue section, both reductions being made on account of the operation of the high-pressure system.

The district charges subsequently removed were as follows: Evergreen, Broadway-Eastern and Gowanus districts on December 11, 1912; portion of the Atlantic Avenue division and the Park Slope district on January 8, 1913.

The district charges as originally applied in December, 1902, are still in force in the following districts: A portion of the Atlantic Avenue section, Flatbush North, East New York and Blythebourne North sections, all located north of the Manhattan Division of the Long Island Railroad; Blythebourne South, Bay Ridge-Fort Hamilton, Bath Beach-Mapleton, Gravesend, Greenfield, Flatbush South and Canarsie sections, all located south of the Manhattan Division of the Long Island Railroad.

From the above it may be seen that the entire section of Brooklyn, south of the Manhattan Division of the Long Island railroad, exclusive of the high pressure district at Coney Island, is still subject to the original charge. A portion of Brooklyn north of the railroad, extending from the Gowanus and Park Slope districts to the eastern Brooklyn city boundary line, is also still subject to the charge of 1902.

When the Exchange made the district advances in Brooklyn on December 11, 1902, the conditions as to water supply were admittedly bad. That the conditions warranted drastic action appears to have been the general judgment. The advance was not, however, carried out with due regard for equity and consistency. In District No. 1 the advance was 30 per cent. on specifically rated risks, of which 20 per cent. was for inadequate water supply and 10 per cent. for conflagration hazard. In the same district an advance of 25 per cent. was made on minimum rated risks (mainly dwellings and stores). In Districts Nos. 2 and 3, where the advance on specifically rated risks also included a 20 per cent. advance for inadequacy of water supply, no advance was made on minimum rated risks. In District No. 5 a 20 per cent. advance was also made on specifically rated risks, with no advance on minimum rated risks, whereas in District No. 4 the advance on minimum rated risks was 50 per cent.

While conditions in Brooklyn in 1902 may have justified a penalty, it seems the Exchange was tardy in recognizing improvements, and reductions were made with evident reluctance. In fact, reluctance to remove the charges has at times led the Exchange into making frivolous objections or assuming untenable positions. An occasion may be cited when one of the Brooklyn committees requested a remission of the charge for the Williamsburg-Greenpoint section, the committee pointing out in detail that the various requirements of the Exchange had been complied with. The request for a reduction was denied, mainly on the flimsy grounds that the fire department protection was inadequate because three of the fire houses furnishing protection to the district as laid out by the Exchange were located outside of the borders of such district. This untenable position was abandoned by the Exchange after the committee pointed out that there was nothing to prevent the fire engines and crews from promptly responding to alarms from within the district, even though the fire houses might be located three or four hundred feet outside of the imaginary lines which bounded the district.

On a later occasion a request was made for a reduction in a portion of the "Atlantic Avenue section," as the high pressure system had been extended into certain portions of that section. The attitude of the Exchange was expressed in the following: "The territory under consideration was at that time made a part of the so-called Atlantic Avenue District, and the minimum rate committee is apparently under no obligation to consider remission of charges in any portion less than the whole of this district. (4/12/12)." Although the Exchange subsequently receded from this position, in reference to this district, it has maintained this attitude with respect to other districts, even though the tests made by their own engineer came up to the Exchange standard. One such notable instance occurred in May, 1910, when the Canarsie Board of Trade requested that the Canarsie section be exempted from the 50 per cent. advance. The Exchange engineer thereupon tested four groups of hydrants in that section, six hydrants in each group. Group 1 (located in the amusement resort section) showed a deficient supply of water. Group 2 (located in a "semi-rural" section) failed to come up to the requirements of the Exchange. Groups 3 and 4 (located

in "sparsely settled" sections) exceeded the absurdly excessive requirements and were pronounced ample "for present needs." The tests called for an average flow of 1,000 gallons per minute per hydrant from a group of six hydrants, the equivalent of twenty-four ordinary fire streams concentrated upon one risk, and this in a locality described as "semi-rural" and "sparsely settled," consisting mainly of frame one and two family detached dwellings. It might be added that this standard was not attainable in the *congested* and *mercantile* sections of some large cities when tested by the engineers of the National Board of Fire Underwriters, Chicago and Philadelphia being notable examples. It should also be stated that the Exchange has since then abandoned this absurd standard. After the tests, the Exchange informed the Canarsie Board of Trade, in part, as follows:

* * * relative to conditions in Canarsie developed by our recent tests, would state that the minimum rate committee took the ground very strongly that the Exchange would not subdivide territories in considering a reduction of district charges, and while, as it was shown by the tests, there was ample water at present in the location of groups 3 and 4, yet there was undoubtedly a deficiency of water developed in the locations of groups 1 and 2.

On an earlier occasion (February 23, 1905), an owner of property located in Bensonhurst-by-the-Sea complained of the advance in rates and requested a reduction. Bensonhurst is included in the district described by the Exchange as "Bath Beach, Mapleton." This complaint developed the fact that the Exchange had never tested this district, and was therefore ignorant as to its condition when the advance was made. The district was composed of detached frame dwellings, two and three stories in height, with a few brick apartment houses four or five stories in height. A report made by the Exchange engineer under date of February 28, 1905, reported good water pressure and contained the following opinion:

Considering, however, the good character of the risks included in this area, it would seem as if with some few improvements in the fire alarm signal system, and a better arrangement of the engine companies, in the matter of lengths of runs and territory covered, this part of the city would then be well protected.

The fire alarm telegraph in this section is to-day the best in the city, but there has as yet been no reduction in rates in this district.

From information obtained from the water department of New York City, there were in place 984 miles of mains on September 30, 1912, as compared with 676 miles in place on January 1, 1903 (approximately the date of the advance). The number of hydrants was 16,522, as compared with 5,680 on the earlier date. In addition, 80 miles of mains were cleaned. The total estimated cost of these improvements was \$4,097,000. In addition to the above, there was installed a high-pressure fire service system at an estimated cost for lands, pumping stations, engines and pumps, mains and hydrants, of \$1,925,000. The high-pressure service, as well as the principal portion of the above noted improvements, were made in the district north of the Manhattan Division of the Long Island Railroad, but a considerable portion of the improvements was made in the district south of the railroad. In this latter district, not a solitary reduction has been made since the original advance, a period of more than ten years, although according to a report received from the chief engineer of the water department, many portions of the district are amply supplied with water.

In this connection, attention may be called to a resolution adopted by the Exchange shortly after the advance of December, 1902, recommending the use of a pink slip reading as follows:

Extra premium for inadequate water pressure and supply. The rate on this policy is increased until a sufficient water supply and a satisfactory system of water mains and fire hydrants shall be provided.

This pink slip, which embodied an unmistakable pledge, was to be attached to policies issued on risks located in the sections where the rates were advanced. Numerous complaints have been filed with the Insurance Department by property owners interested in risks located in the penalized sections. As a result of these complaints, a hearing was recently held before the Superintendent of Insurance, who decided that a comprehensive series of tests be made in all sections affected, for the purpose of ascertaining definitely the conditions of the water supply. This matter is, therefore, now in a fair way toward being properly disposed of.

EQUALIZATION OF RATES

When the Exchange was organized in 1899, the rates in force at the time the Tariff Association was abandoned were adopted,

with certain percentage reductions. In January, 1900, the percentage reductions were discontinued, resulting in an increase of from 40 per cent. on some classes to 11 per cent. on others. In May of the same year, the rates on department stores were increased 50 per cent., and in July the rates on all dwellings, flats, tenements, apartment houses and stores and dwellings were increased. The adoption of the mercantile schedule at this time also resulted in a general increase of rates on all risks rated under this schedule. In March, 1902, rates on omnibus and single tenant special hazards were increased 25 per cent. This advance was applied to all such risks whether sprinklered or not, and affected about 12,000 risks. In December, 1902, the percentage advances in Brooklyn for inadequate water supply were adopted and in April, 1903, about 90 per cent. of all minimum rates were advanced.

The following table shows the premiums and losses, together with the loss ratio of each year for the years 1893 to 1902, inclusive, in Manhattan and plainly indicates the effects of the advances promulgated by the Exchange. The figures were compiled by a member of the Exchange and were taken from the fire patrol reports of the New York Board of Fire Underwriters.

New York City (Manhattan) Premiums and Losses

FIRE PATROL FIGURES.

<i>Year</i>	<i>Premiums</i>	<i>Losses</i>	<i>Per cent</i>
1893	\$8,880,930	\$5,137,354	57.8
1894	9,404,549	3,691,996	39.2
1895	9,721,075	3,434,897	35.3
1896	9,820,664	3,751,544	38.2
1897	9,662,639	3,010,804	31.1
1898	6,164,499	4,154,000	67.3
1899	6,607,742	7,181,766	108.6
1900	9,029,502	5,361,984	59.3
1901	12,350,871	5,390,167	43.6
1902	13,629,880	4,511,539	33.1

The abnormal loss ratios of 1898 and 1899 were the result of the disorganized condition in the fire insurance field which prevailed after the Tariff Association had been abandoned and prior to the organization of the Exchange. The effect of the Exchange advances are noticeable not only in the enormous increase in premiums in Manhattan from \$6,607,742, in 1899, to \$9,029,502,

in 1900, but in the more remarkable increase to \$12,350,871, in 1901, as well as the abnormal increase in 1902 to \$13,629,880.

As a result of these sweeping advances in rates, a general feeling of hostility toward the Exchange became noticeable in 1903, which threatened to find expression in adverse legislation. The Exchange then appointed a committee, composed of prominent underwriters, the reason for appointing the committee being expressed in the following resolution:

Whereas, one of the purposes of this Exchange is declared in the preamble to the agreement to be the determination of adequate and just rates of premium, and

Whereas, it has been claimed that inequalities in our rates exist, which are an injustice to the assured, be it

Resolved, that the subject be referred to a committee consisting of ten members who shall report their conclusions and recommendations to this Exchange at the earliest possible moment.

This committee was known as the "Committee on Equalization of Rates." As a result of its deliberations, it came to the conclusion that while the income to the companies from Exchange territory was disproportionately high, a general reduction in all rates would be inadvisable. It was the belief of the members of the committee that a better way of reducing the income would be to ascertain the most profitable classes and to reduce the rates only on these. They accordingly submitted experience figures on certain classes, with a view toward ascertaining which were the profitable and which were the unprofitable classes. The figures collected were from eight companies, five of which gave their experience for ten years, one for seven years, one for three years and one for two years. The classified experience thus collected is given herewith:

Recapitulation of Writings and Losses Within Exchange Territory on Classes shown for 10 Years, 1893-1902

Class	Amount insured	Premiums received	Losses	Loss per \$100	Average rate	Loss ratio
Breweries ...	\$23,249,425	\$179,085 26	\$31,256 34	.134	.774	.180
Churches	37,818,993	208,566 00	70,778 00	.184	.550	.339
Colleges and schools	27,065,682	149,166 00	155,296 00	.570	.551	1.041
Hotels	50,534,252	406,655 00	227,385 00	.409	.732	.559
Livery and b'd'g stables	58,772,736	707,644 00	144,718 00	.246	1.200	.204
Machine shops	21,511,258	211,868 00	186,765 00	.867	.982	.883
Mer'tile stocks	440,571,524	3,388,171 00	1,543,512 00	.328	.769	.455
Piers	201,586,913	967,135 00	345,240 00	.171	.479	.357
Theatres	9,167,100	200,608 00	10,173 00	.110	2.190	.057

The committee rendered its report to the Exchange at a special meeting held on December 28, 1903, the report reading in part as follows:

Your Committee appointed September 9, 1903, to consider alleged inequalities in rates beg to report:

Acting upon our understanding that the object of our appointment was to deal with rates in classes rather than in connection with individual risks, we have informed ourselves as to the experience for ten years past of leading companies writing given classes of risks in this territory. These results show that the ratio of losses to premiums has been decreasing for three years past.

* * * Whether our experience since the inauguration of this Exchange is as yet sufficient to justify a reduction of rates will be for you to determine; but it does not seem to us that a reduction embracing all classes of business would be justified on that experience. We believe, after considering carefully the results submitted to us, that there are certain classes upon which allowances in rates may be made, and that in making such allowances you will only be carrying out the expectation created when the Exchange was organized, that whenever improved conditions had been established and a lower loss ratio thereby developed, the public would be given the benefit of lower rates. It goes without saying that as long as experience varies with different classes of risks the same measure of consideration cannot be extended to each, but we have endeavored to arrive at such allowances in rates as would be justified by the record of each class.

The recommendations made in the report were adopted and in consequence the following reductions in rates were put into effect:

1. A discount of 10 per cent. on all buildings and contents rated under the Exchange mercantile schedule, with the exception of listed storage stores, private warehouses and fireproof office occupancies.

2. A discount of 10 per cent. on both buildings and contents of boarding and livery stables and private business stables.

3. A discount of 20 per cent. on both buildings and contents of breweries.

4. A discount of 10 per cent. on churches and contents, the reduction not to apply to rooms or halls used for religious worship in buildings also used for other purposes.

5. A discount of 20 per cent. on theatres and contents.

SAN FRANCISCO ADVANCE

Owing to the enormous losses incurred by its members in the San Francisco conflagration of April, 1906, the Exchange voted to advance rates on a large number of risks located in the area of

its operations. The resolution which brought about the increase was adopted by the Exchange on May 4, 1906, the introductory paragraph reading:

Resolved, That for the protection of policyholders and of the whole mercantile community, and for the uplifting of reserves of the fire insurance companies that they may be prepared to meet future conflagrations, the following reductions in expenses and increases of rate shall take effect in the territory of the New York Fire Insurance Exchange from and after the passing of this resolution.

The members of the Exchange were not unanimously in favor of this resolution. Several members violently opposed its adoption, and the president of one of the largest companies seriously considered the withdrawal of his company from the Exchange after the adoption of the resolution, on the ground that the rate increases were unwarranted, that they were based not upon the hazards underwritten, "but upon the desire to make insurers in New York (and, as was stated by those in control of the meeting, other cities) pay for the San Francisco conflagration," and that the action constituted a violation of the Exchange agreement, which declares in paragraph (f), section 13, that "Rates of premium shall be adjusted upon a discriminating basis which recognizes merits and faults of construction, fire-extinguishing appliances and percentage of insurance to value."

These increases in rates were made in part by adding certain percentages to the then existing rates on certain classes and by the withdrawal of allowances, until then in force, on others. The following table shows the increases made:

	<i>Allowance withdrawn Per cent.</i>	<i>Additional percentage advance Per cent.</i>	<i>Total (net) increase Per cent.</i>
Risks rated under mercantile schedule (in congested district) with excess.....	10	15	28
Risks rated under mercantile schedule (in congested district) without excess.....	10	.....	11
Other specifically rated risks (in congested district) .....	.....	15	15
Risks rated under mercantile schedule (outside of congested district) with excess.....	10	10	22
Risks rated under mercantile schedule (outside of congested district) without excess...	10	.....	11
Other specifically rated risks (outside of congested district) .....	.....	10	10
Breweries	20	.....	25
Theatres	20	.....	25

	Allowance withdrawn Per cent.	Additional percentage advance Per cent.	Total (net increase Per cent.
Churches	10	.....	11
Boarding and livery and private business stables	10	.....	11
Listed storage stores and contents (both fire- proof and non-fireproof)		10	10
Private warehouses and contents		10	10
Piers and contents		25	25
Floaters		25	25
Stocks in store and dwelling risks		10	10
All other minimum rated risks (<i>note excep- tions</i>)		10	10

The "congested district" was described as being located in the "Borough of Manhattan, between Chambers and New Chambers streets (including both sides of the streets) on the south, and Fourteenth street (including both sides of the street) on the north."

The qualification "with excess" or "without excess" originated with the Exchange and was first applied when making the San Francisco advance. It was intended to sub-classify the risks rated on the mercantile schedule between those where the occupancy was purely mercantile, i. e., where only the buying and selling of merchandise was conducted, as compared with establishments where the buying and selling of merchandise was accompanied by some form of manufacturing process.

The following classes of risks were not affected by the advance:

Dwellings,	Colleges,
Store and dwelling buildings,	Convents,
Household furniture,	Seminaries and schoolhouses,
Private stables,	Sprinklered risks,
Academies,	Fireproof risks (except listed stores).

Minimum rated risks in districts one and four, Brooklyn, were not affected by this advance, as such risks were advanced in 1902 on account of inadequate water supply. The Rate Committee subsequently ruled that buildings in course of construction and jewelry "in fire-proof safes or vaults or while on display outside of same during business hours," were not subject to the advance.

In May, 1908, *two years after the earthquake*, the San Francisco advance of 10 per cent. was ruled to apply on general minimum rates in district one, Brooklyn, this advance being substituted for the 10 per cent. district charge which was applied in

1902 for inadequate water supply, the charge for inadequate water supply being no longer tenable.

On December 10, 1908, partial reductions were made on account of the installation of the high-pressure service in Manhattan and Brooklyn.

A movement among Exchange membership for a general abrogation of the San Francisco advance commenced about the spring of 1910. It was then pointed out that the advance had not been effected everywhere in the United States and that where it had been levied, it had quite generally been removed, so that the Metropolitan district remained virtually as the only territory where the advance was still being collected. The beginning of the agitation looking to a removal of the advance was coincident with the legislative discussion looking toward the appointment of a legislative committee to investigate the business of fire insurance in this State. This committee was subsequently appointed in accordance with the concurrent resolution adopted by the New York State Legislature on May 24, 1910.

In March, 1910, hospitals, charitable homes and charitable institutions were exempted from the San Francisco advance, and on December 14, 1910, the Exchange voted to rescind the remaining advances "on almost all classes" originally affected thereby. In voting the reduction the professed purpose of the original advances was apparently lost sight of, for the preamble of the Rate Committee's recommendation reads as follows:

The committee shares in what it believes to be the general sentiment of the Exchange membership, that the advance in rates made by the Exchange in May, 1906, may now be safely and wisely rescinded, as to almost all classes of risks involved in it. The results of fire underwriting operations in the territory of the Exchange during the four and a half years that have passed since that advance was promulgated, the evidently permanent betterment that has meantime been wrought (not without the active assistance of the Exchange) in fire hazard conditions in that territory, and the implied obligation under which every rating organization rests to make prompt and voluntary concessions in its ratings in recognition of any permanent reduction in the loss ratio all tend to this conclusion. Among the points that have claimed attention and that the committee has sought to cover in the following recommendations are (1) the need of discrimination between those classes that did and those that did not share in the rate advances of May, 1906, and between those that are and those that are not, on their merits, entitled to specially favorable consideration now; (2) the obligation to continue a proper recognition of the value of the High Pressure Water Service or Separate Fire Main system by favoring the area in which it has been installed and holding

out inducements for its further extension; (3) the great desirability of reducing to a minimum, either by immediate or progressive action, the number and variety of the advances and allowances required to be made at the counter on card ratings; and (4) the opportunity presented by such a revision for removing some inconsistencies of long standing from our rating rules. No attention whatever has been paid, however, to the question of any general revision of schedules, a subject which is still in the hands of a special committee of the Exchange.

For purposes of this reduction, Manhattan and Bronx were divided into three districts:

The high pressure district.

The East side congested district.

Remainder of Manhattan and Bronx.

Owing to the complicated nature of the advances and reductions, it cannot be clearly indicated to what extent the advances which were first brought about by the San Francisco disaster were still retained in the rating after the order of December 14, 1910.

The action of the Exchange on December 14, 1910, was roughly estimated to result in an annual premium reduction of 5 per cent. or \$1,250,000 as compared with an estimated annual increase of \$2,000,000 resulting from the original advance. This comparison takes no cognizance of the increase in business in the four intervening years.

Information is not available to indicate to what extent rates were advanced throughout the United States after the San Francisco conflagration, nor how long such advances were maintained, but from information obtainable it appears that the advance was not general. In the State of New York there were no advances in Buffalo nor in the territory coming under the Suburban Fire Insurance Exchange. The Suburban Fire Insurance Exchange was organized after the San Francisco disaster (1907), prior to which time rates in that territory were made by the local boards of agents then existing in various places within that territory.

The Underwriters' Association of New York State, having jurisdiction in the rest of the State, adopted a resolution on May 24, 1906, advancing rates in the conflagration districts of Albany, Amsterdam, Auburn, Binghamton, Cohoes, Elmira, Jamestown, Kingston, Niagara Falls, Oswego, Schenectady, Syracuse, Troy, Utica, Watertown and Rochester. Rates were also advanced, but to a lesser extent, on all special hazard and manufacturing risks outside of the above conflagration districts. Risks rated by the

Sprinklered Risk Committee and Electrical Committee (sprinklered risks and electric light and power plants) were exempt from these advances, as were breweries, butter and cheese factories, creameries, glove manufacturing shops, glass cutting shops, silk mills and wine-cellars. Fireproof buildings, but not their contents, were also exempt. On October 9, 1906, the advance was rescinded throughout the territory, excepting as to certain classes of risks in Syracuse, Albany, Troy, Utica and Rochester, in which cities the modified advance appears to be still in force.

In reviewing the action of the members of the Exchange in advancing rates as a result of the San Francisco conflagration it may be noted:

1. New York city was discriminated against. It appears that the companies were quite unsuccessful in carrying through the plan of advancing rates in many localities outside of the territory of the New York Fire Insurance Exchange; or if successfully carried through, the advance did not remain on long.

2. The manner of distributing the advance was inequitable. Some classes which shared in the conflagration losses were not advanced at all, and other classes were unequally advanced.

3. Rates were originally advanced for the purpose of uplifting the reserves of the fire insurance companies. Whereas the advance was officially abolished in 1910, it was nevertheless retained on a number of classes because, as stated, they were not, on their merits, entitled to favorable consideration. It is not a matter of record in the Exchange when or how it was ascertained that these classes were not entitled to the same consideration accorded to other classes.

4. According to available statistics, the fire insurance companies operating in the United States between 1880 and 1906, inclusive, collected in that period premiums sufficient to pay all ordinary losses, all conflagration losses and expenses, and still leave a margin of profit on those premiums. This period includes the serious conflagrations of San Francisco and Baltimore. It is plain, therefore, that the companies, especially in territory controlled by rating associations, have for years been including in their rates a charge sufficient to cover the conflagration hazard, and in voting the San Francisco advance, the Exchange compelled the insured to pay again for something which he had already paid for. The condition which the San Francisco advance was intended to repair

might have been avoided if the companies would have set up as a conflagration reserve the amounts included in the rates as a charge for the conflagration hazard. As the business is conducted at present, the conflagration charge cannot be identified in the premium rate, and the company receiving the premium includes the conflagration reserve in the unearned premium reserve. At the expiration of the policy, the entire reserve has been transferred to surplus, leaving the company free to spend it for expenses and dividends. Failure to hold the conflagration charge as a reserve to be applied only to the purpose for which it is professedly imposed, might after the next serious conflagration find companies again in a position where drastic measures would be required to uplift their reserves.

HIGH PRESSURE FIRE SERVICE

Some time prior to 1903, it was suggested that the abundant salt water supply around New York City could be utilized for fire fighting purposes. The suggestions included powerful pumping stations with connections along the river fronts for the use of fire boats, separate large sized water mains built to withstand high pressures and special hydrants so distributed as to cover the congested districts.

Plans were completed for Manhattan, and in May, 1905, a joint committee of the New York Fire Insurance Exchange and the New York Board of Fire Underwriters issued a report thereon. The plans involved the building of two pumping stations supplied from the old Croton system and provided with emergency salt water connections. The sections to be covered extended from Chambers street to 23d street and from the Hudson river to the Bowery and Broadway.

A similar high pressure system was being installed in Brooklyn to protect the congested section in that borough.

On completion of the system in the Manhattan district above described, the Exchange voted to reduce certain rates in that district on December 9, 1908.

This resulted in restoring to certain risks the discounts existing prior to May 4, 1906, and in reducing the advances of May 4, 1906, on other risks. The following comparative table shows the discounts in force prior to May 4, 1906, the advances voted on May 4, 1906, and the reduction due to the high pressure system.

HIGH PRESSURE DISTRICT							INCREASE OF MAY 4, 1906		REDUCTION ON ACCOUNT OF HIGH PRESSURE DEC. 9, 1908		Increase in force after Dec. 9, 1908, as compared with rates in force prior to May 4, 1906
Discounts in force prior to May 4, 1906	Discount withdrawn			Advance		Total advance	Discount restored	Advance reduced to			
Breweries.....	20%	20%	.....	.....	.....	25%	20%	.....	.....	None	
Theatres.....	20%	20%	.....	.....	.....	25%	20%	.....	.....	None	
Churches.....	10%	10%	.....	.....	.....	11%	10%	.....	.....	None	
Boarding, livery and private business stables.....	10%	10%	.....	.....	.....	11%	10%	.....	.....	None	
F. P. and N. F. P. listed storage stores and contents.....	None	.....	.....	.....	10%	10%	.....	5%	5%	5%	
Private warehouses and contents.....	None	.....	.....	.....	10%	10%	.....	5%	5%	5%	
Piers and contents.....	None	.....	.....	.....	25%	25%	.....	.....	.....	25%	
Floaters.....	None	.....	.....	.....	25%	25%	.....	.....	.....	25%	
Stocks in store and dwelling risks.....	None	.....	.....	.....	10%	10%	.....	5%	.....	5%	
All other minimum rated risks.....	None	.....	.....	.....	10%	10%	.....	.....	.....	10%	
Risks rated under Mercantile Schedule (in congested section) with excess.....	10%	10%	.....	15%	.....	28%	.....	.....	10%	22%	
Risks rated under Mercantile Schedule (in congested section) without excess.....	10%	10%	.....	.....	.....	11%	10%	.....	.....	None	
Other specifically rated risks (in congested section).....	None	.....	.....	15%	.....	15%	.....	.....	5%	5%	
Risks rated under Mercantile Schedule (outside congested section) with excess.....	10%	10%	.....	.....	10%	22%	.....	.....	.....	22%	
Risks rated under Mercantile Schedule (outside congested section) without excess.....	10%	10%	.....	.....	.....	11%	10%	.....	.....	None	
Other specifically rated risks (outside congested section).....	None	.....	.....	10%	.....	10%	.....	10%	.....	5%	

Risks which were originally exempted from the increase imposed May 4, 1906, received no reduction on December 9, 1908, for high pressure service.

On December 14, 1910, the Exchange made some changes in rates in the high pressure district, but they were made in connection with the partial abrogation of the San Francisco advance and are referred to under that heading.

In January, 1912, reductions in rates were voted in three districts in which the high pressure service had been installed since the action of the Exchange taken on December 14, 1910. One of these districts was a small extension north and east of the original high pressure district. The second district included the east side congested district and the third district was directly south of the east side congested district. The reductions in rates were made mainly to conform with the rates existing in the original high pressure district.

The city is still extending the high pressure system and considerable and consistent progress has been made in other directions to reduce the danger of conflagration loss. Many new risks of the best type of fireproof buildings, which would serve in a measure as fire-stops, have been erected and many old non-fireproof buildings have been torn down and replaced by fireproof buildings, the dangerously congested section has been materially improved by a shift in values to other and better protected sections, new fire prevention laws have been enacted bringing about improved conditions in risks, and there have been an increased number of buildings equipped with automatic sprinklers. The fire department has kept pace with this condition in increased force, more effective fire-fighting apparatus and increased number of fire-houses and fire boats, the only weak feature of the situation being the antiquated fire alarm telegraph system.

In recommending the reductions for the extension of the high pressure service in January, 1912, the Exchange issued the following notice to the insuring public:

In recommending to the Exchange the following reductions of rates in the three districts in which the high pressure water service or separate fire main system has been installed since the action of the Exchange taken on December 14, 1910, the members of the rate committee deem it proper to express their belief that the Exchange may well consider the advisability of ceasing, after this date, to make special reductions for the further extension of

this high pressure service. They are satisfied that good faith requires the taking of the action now recommended, but with this action all outstanding obligations to the public in connection with this subject would seem to have been fairly discharged. Future installations and extensions of the high pressure service will hardly do more than maintain, without increasing, the relative value of the fire protection of the affected districts as compared with conditions existing when the whole work was first entered upon. With the exception, therefore, of the Brooklyn districts, wherein specific district advances have been in force for some years because of the defective water supply, and which are entitled to the remission of these advances when a satisfactory water supply has been obtained, whether through the high pressure system or otherwise, it seems doubtful whether any specific recognition should be made in our ratings of future extensions of the high pressure system. There is the more reason for this doubt because experience has fairly demonstrated that so far as stocks of merchandise and other contents are concerned, the allowances hitherto made for the introduction of the high pressure system have been larger than was proper.

In view of the above notice, and particularly in view of the comparative table showing that large and important classes were being rated higher after receiving the protection of the high pressure service than before the San Francisco advance, the letter of May 6, 1909, from the Exchange in reply to the request for information from the Chicago City Engineer is of interest. Both letters follow:

DEPARTMENT OF PUBLIC WORKS
CHICAGO
BUREAU OF ENGINEERING

May 3, 1909.

NEW YORK FIRE INSURANCE EXCHANGE, 32 Nassau Street, New York, N. Y.:

DEAR SIRS.—The construction of a municipal high pressure water system for Chicago is under consideration, and I have been referred to you by the Chicago Board of Fire Underwriters for information as to the effect on insurance rates of the construction of the present high pressure systems in New York, Brooklyn and Coney Island.

I would like to know what reduction of rates occurred as a result of the construction of these systems, and over what district such reduction was spread.

Thanking you for your attention, I am

Yours truly,
CITY ENGINEER.

NEW YORK FIRE INSURANCE EXCHANGE
32 Nassau Street

New York, May 6, 1909.

CITY ENGINEER, Department of Public Works, Chicago, Ill.:

DEAR SIR.—We are in receipt of yours of May 3d addressed to us, as well as yours of same date addressed to the New York Board of Fire Underwriters.

referred to us, and in reply beg to say that upon the completion of the high pressure system as at present installed in the borough of Manhattan (New York) we reduced percentage advances of rate applying in that territory to 5%, the same having previously been 10% and 15%; piers, which had previously been subject to an advance of 25%, had such advance reduced to 5%; the advance on listed storage stores was reduced from 10% to 5%; the advance on private warehouses was reduced from 10% to 5%; sprinklered risks, which already had the advantage of very low rates by reason of their self-protection and an allowance of 10% discount from card rates, were given a further advantage by having such discount increased to 15%. Other allowances were made in accordance with Circular 1032, copy of which is enclosed.

In Brooklyn, risks located in the territory protected by the high pressure system had their rates variously reduced according to location, as, for instances, in District No. 1 (congested) a percentage advance of 10% was removed; in District No. 2 a 10% advance was removed, and in the remainder of the high pressure territory advances of 20% and 25% were abrogated.

When the high pressure system at Coney Island was completed and satisfactorily tested we made a reduction of 25% in the rates.

It should be borne in mind in connection with the reductions noted that our rates had previously been advanced to much above normal on account of the deficient water supply and fire protection existing in the sections and district named, and that consequently the allowances quoted have, in the majority of cases, not brought the rates below normal. In the case of any city where the rates already stand at normal it might not be possible to make as large percentage reductions for the introduction of high pressure protection as we have made here, because much of our reductions consisted in the removal of advances previously imposed.

If we can furnish you any further information, consider us at your service.

Very truly yours,

MANAGER.

UNFAIR DISCRIMINATIONS

On September 1, 1911, a law went into effect which subjected rate making associations to the supervision and examination of the Superintendent of Insurance.

One of the principal provisions of that law reads as follows:

* * * nor shall any such (rating) association, or any person, association or corporation authorized to transact the business of insurance within this state, fix or make any rate or schedule of rates or charge a rate which discriminates unfairly between risks within this state or essentially the same hazard or, if such rate be a fire insurance rate, which discriminates unfairly between risks within this state of essentially the same hazard belonging to classes having substantially the same fire class record, and which are similarly situated and protected against fire. Whenever it is made to appear to the satisfaction of the superintendent of insurance that such discrimination exists, he may, after a full hearing, either before himself or any salaried employee of the insurance department whose report he may adopt, order such discrimination removed; and all such persons, corporations, associations or bureaus affected thereby shall immediately comply therewith.

The business of fire insurance, even as conducted by stock companies, is largely mutual. The stock companies recoup their losses from the premiums collected and the heavier the losses the higher the premiums. Every insured, therefore, is not only affected by the losses but he is also interested in the premiums paid by others, for if some escape contributing their proper proportion to the losses, others must contribute it for them in addition to contributing their own proper share. The prohibition in the law against unfair discriminations is therefore intended in its ultimate effects to bring about fair and equitable rates by preventing an abuse which results in some and perhaps many instances in excessive and exorbitant rates.

The first complaint on which the superintendent issued an order under the law against the Exchange came from the owner of a fireproof apartment house composed of "kitchenette" apartments. The apartment house in question was rated at about three times the rate applied to similar apartment houses having suites with full sized and fully equipped kitchens.

Following the order of the superintendent, the Exchange adopted an indefensible classification designed to exclude "kitchenettes" from the apartment house class, and in accordance with that classification made an unjustifiable advance in rates on the apartment house complained of, as well as on some half dozen other risks mentioned in the complaint. After further correspondence between this department and the Exchange relative to the action taken by the Exchange, a second order was issued calling upon the Exchange to rescind the action taken by the rate committee of the Exchange following the first order from this department, and requiring the Exchange to restore to their previous status all risks advanced as a result of such action. This second order was ignored as far as any official action taken by the Exchange or its committees is concerned. The manager of the Exchange, however, subsequently complied with the second order to the extent of restoring to their previous status all non-fireproof risks affected by the objectionable action of the rate committee. The rates on the fireproof kitchenette apartments had been corrected by the adoption of a new schedule. When this complaint was first filed the rate on the complainant's risk was 27 cents per \$100, as compared with a rate of 8 cents on other fireproof apartment houses. Following

the superintendent's order, the rate was raised to 36 cents, to be subsequently reduced to 25 cents, and ultimately to 11 cents. This final rate of 11 cents was by order of the superintendent antedated to the date of the original order and is the rate now in force. While the final disposition of this case was satisfactory, it illustrated the necessity of broadening the powers of the superintendent regarding the manner of removal of unfair discriminations.

Another complaint decided against the Exchange came from the owner of a building occupied principally by garment workers. This risk had been classed by the Exchange from its organization as a "sweatshop" and high flat rates applied to building and contents. The statutory hearing satisfied the superintendent that the risk was being unfairly discriminated against, the insured having no opportunity to obtain reductions in rate for improvements made. As a result of the order, the Exchange abolished the "sweatshop" classification and flat rate and devised the "contract tailor" classification, applying a schedule to such risks, but loading it with "moral hazard" charges to such an extent that in many risks the new rates would be higher than the old "sweatshop" rates, even though all removable physical defects were to be remedied. In addition to the "moral hazard" charges, the "contract tailor" rules called for a higher proportionate rate on the building than was imposed upon similar buildings containing "garment workers," the building containing "contract tailors" receiving a rate equal to 70 per cent. of the contents rate, whereas the building occupied by "garment workers" was rated at 50 per cent. of the contents rate. This action of the Exchange gave further striking evidence of the weakness in the law which limited the superintendent to ordering a removal of unfair discriminations, but which did not impose limitations upon the rating bodies or the companies as to the manner of such removal. The department did not accept the above action of the Exchange as a compliance with the superintendent's order, but before further official action was taken by the superintendent the Exchange removed the more objectionable "moral hazard" charge and restored the rule to rate the building at 50 per cent. of the contents rate.

A third complaint decided against the Exchange involved the charge for exposure to approximately 3,000 dwelling risks and contents otherwise minimum rated, and the failure to make a similar charge to some 15,000 to 20,000 similarly exposed minimum rated dwellings. Following an order from the superintendent to remove the discrimination, the Exchange restored the three thousand and odd risks to the minimum rated class, the exposure charge being cancelled.

A fourth complaint involved the method of rating fireproof risks having exposed iron columns and beams and occupied by manufacturing tenants. As a result of an order from the superintendent, the Exchange rerated approximately 150 manufacturing fireproof buildings, treating them in the same manner as other fireproof buildings were treated, making, however, a charge for structural defects of exposed iron work, thereby bringing the rating of such risks more in harmony with the rates on risks not possessing this defect. At the time of filing the complaint, these risks were rated as if non-fireproof risks and a percentage allowance from the rates thus obtained was made for fireproof construction. These final rates were disproportional to rates on similar risks, being in some instances double and triple the normal rates. The rates on the specific risk which was the basis for the complaint were 3.325 per cent. on the contents and 1.663 per cent. on the building. These were reduced as the result of the order to 1.771 per cent. on the contents and 0.60 per cent. on the building. The insurable values of the building and contents are probably in excess of \$750,000.

There can be no question as to the moral effect of the law, it being in evidence in a number of instances. For example, a complaint regarding a 5-cent district charge on a risk in the Bronx brought about the removal of the charge by the Exchange, both in Brooklyn and the Bronx without an order from the superintendent, the charge affecting thousands of risks. Several other cases, after having been dismissed by the Exchange, were settled to the satisfaction of the complainants without an order from the superintendent, upon submission of the complaints by the department.

When the work of building the new subway in New York City was begun, the Exchange added an additional charge to the fire

insurance rate on all buildings and contents thereof abutting on the subway whose abutting walls were removed and the opening thus made not cut off in accordance with the standard fixed by the rating body. The Merchants Association of the city of New York protested against this charge, which affected the insurance on millions of dollars of property, and the Public Service Commission and the Fire Prevention Bureau threatened to become embroiled in a quarrel over the question of jurisdiction.

An appeal to the Attorney-General was referred to this department, and an amicable settlement was arrived at through its mediation. The solution for reaching common ground was suggested by this department, and the settlement of this controversy resulted in the expense of building fireproof cut-off walls being added to the cost of the subway instead of being paid by the merchants and property owners along the line of the subway, the Exchange adopting a new and less expensive standard. The additional expense to the cost of the subway is only a fraction of the heavy additional insurance premiums saved to the merchants and property owners, and there was, furthermore, a safer condition brought about, tending to reduce to a minimum the danger of loss to life and property through the spread of fire.

While the beneficial effects of the law are unquestioned, its practical application disclosed a weakness, which it was sought to remedy by amendment. This amendment was prepared and adopted by the Legislature and later enacted into law.

STATISTICS AND CLASSIFICATION

The preamble of the Exchange agreement stating the objects of the association reads in part as follows:

The association of underwriters for mutual counsel and comparison of experience is necessary for the determination of adequate and just rates of premium * * *.

In a statement submitted to the joint committee of the Senate and Assembly of this State appointed in 1910 to investigate the fire insurance business the objects of the Exchange in fixing rates were amplified as follows:

The objects of the Exchange in fixing rates of premiums to be charged for risks in this territory are three:

1. To provide such a premium income from the aggregate of fire underwriting operations in the Metropolitan District as will in average years be

sufficient to pay the losses incurred in that district, plus the specific expense, and a pro rata share of the general expense of doing the business, and yet leave margin enough both to pay a fair profit on the capital and surplus invested and to provide for the accumulation of a reserve against extraordinary or conflagration losses not occurring in average years and not to be treated as exclusively a Metropolitan District Contingency. * * *

Notwithstanding the professed objects in making rates, it is noteworthy that no one in authority has made a determined or successful effort to ascertain the experience of the Exchange companies in Exchange territory either by classes or in the aggregate.

Companies operating under the Exchange agreement are required to file with the treasurer a statement of the gross premiums written in the territory of the Exchange, assessment for expenses being based upon such gross premiums. From these statements it is ascertained that the total premiums reported by Exchange companies in Exchange territory by fiscal years are as follows:

Year ended June 30, 1900.....	\$10,352,475 30
Year ended June 30, 1901.....	14,589,680 35
Year ended June 30, 1902.....	16,922,891 02
Year ended June 30, 1903.....	20,146,568 95
Year ended June 30, 1904.....	20,443,166 75
Year ended June 30, 1905.....	21,610,763 47
Year ended June 30, 1906.....	23,045,203 87
Year ended June 30, 1907.....	25,645,877 86
Year ended June 30, 1908.....	24,734,577 56
Year ended June 30, 1909.....	25,015,380 25
Year ended June 30, 1910.....	25,482,813 65
Year ended June 30, 1911.....	24,123,774 45
Year ended June 30, 1912.....	24,689,135 46

Until December, 1909, these figures included the premiums collected in Hudson county, New Jersey, east of the Hackensack river.

As above stated, no determined effort was ever made by any one in authority to ascertain the incurred losses in the territory of the Exchange, and there appears to be no source absolutely accurate from which the figures may be obtained.

A fair idea, however, may be obtained of the ratio of losses to premiums from the figures compiled by the New York Fire Patrol and the Fire Salvage Corps of Brooklyn. The territory covered by the New York Fire Patrol includes the boroughs of Manhattan and Bronx. The Fire Salvage Corps of Brooklyn operates principally in the congested high value district of Brooklyn. The

premiums and losses as compiled by these two organizations since the organization of the New York Fire Insurance Exchange follow:

New York Fire Patrol

	<i>Premium</i>	<i>Losses</i>
1900	\$9,029,502 00	\$5,361,985 00
1901	12,350,871 00	5,390,167 00
1902	13,629,880 00	4,528,795 00
1903	14,912,638 00	5,349,633 00
1904	15,563,242 00	6,433,970 00
1905	15,829,991 00	7,088,079 00
1906	17,522,702 00	7,881,648 00
1907	19,455,514 00	9,211,797 00
1908	17,880,153 00	8,732,521 00
1909	18,776,817 00	7,942,252 00
1910	20,085,861 00	7,902,422 00
1911	18,797,738 00	9,672,883 00
	\$193,834,909 00	\$85,496,152 00

Fire Salvage Corps of Brooklyn

	<i>Premium</i>	<i>Losses</i>
1900	\$1,949,705 00	\$1,085,966 00
1901	2,525,301 00	1,673,648 00
1902	2,813,374 00	1,403,627 00
1903	3,202,389 00	785,996 00
1904	3,448,428 00	1,384,767 00
1905	4,024,598 00	1,121,169 00
1906	4,523,240 00	1,196,043 00
1907	4,821,044 00	1,572,672 00
1908	4,417,228 00	2,070,953 00
1909	4,844,325 00	1,364,848 00
1910	4,972,252 00	1,934,870 00
1911	4,852,557 00	3,109,667 00
	\$46,394,441 00	\$18,704,226 00

The above figures do not include the premiums and losses for Long Island City, American Dock Stores at Staten Island and that section of Brooklyn lying south of the Manhattan Division of the Long Island railroad. The figures do include the premiums and losses of the mutuals, inter-insurers, Lloyds and marine companies writing fire risks, but do not include the premiums and losses of non-admitted companies and associations. Nor do they include the losses for small fires which occur and which are extinguished.

without the aid of the fire department. These small fire losses were at one time reported to the above organizations, but the practice was discontinued after having been in vogue but a short period. The failure to include these small fire losses does not destroy the significance of the patrol figures, as it would take very many thousands of such losses annually to materially affect the loss ratio. On the other hand the failure to include small fire losses is partially compensated for by including in the patrol figures the occasional serious losses occurring in the districts immediately outside of their zone of operation and to which the salvage corps may have been called.

In fact in 1903 the "Committee on Equalization of Rates" accepted the patrol figures as a sufficiently accurate index to indicate that rates were too high. The patrol figures then used showed a loss ratio of 47.8 per cent. for the ten year period ending December 31, 1902.

As stated, the patrol figures cover only a portion of the premium income and losses of Exchange companies in Exchange territory, but there is no reason to believe that the experience in uncovered territory is materially different from the experience in the covered territory. The figures show a consistent average loss ratio far below the average for the State and far below the normal for the entire country.

An analysis of these figures would indicate the following result:

Premium income	\$240,229,350 00
Estimated unearned premiums December 31, 1911	\$18,920,000 00
Less estimated unearned premiums December 31, 1899	8,780,000 00
	10,140,000 00
Premiums earned	\$230,089,350 00
Losses — Patrol figures (including out of district fires)	\$104,200,378 00
Estimated unreported small fire losses (2,500 fires per annum for 12 years, average loss \$40 per fire)	1,200,000 00
Estimated expenses 40%	92,033,740 00
	197,434,118 00
Underwriting profit	\$32,655,232 00

The foregoing analysis indicates an underwriting profit equal to 14 per cent. on the earned premium as compared with an approximate underwriting profit of 5 per cent. for the entire country. To properly indicate the underwriting profit there should be added to the 14 per cent. above indicated the interest earnings on the unearned premium reserves. Assuming the rate of interest at 4 per cent. per annum on a 50 per cent. reserve basis, the interest earnings from this source would be about 2 per cent. on the premium income. This calculation, however, ignores the considerably increased interest earnings derived from term business. It is thus evident that at a conservative estimate, the average profit on business written in Exchange territory (exclusive of the interest earned by the companies on their capital and surplus) was better than 16 per cent. per year, a profit which may well be considered as indicative of excessive rates. These results possibly explain the neglect of underwriters to gather authentic figures showing the ratio of losses to premiums.

The views of the legislative committee of 1910 which investigated the fire insurance business are on this point expressed as follows:

As long as the companies act in open competition they should evidently be governed by the laws of competition and, let him who bargains beware—he may pay too much for his insurance or he may pay too little, for he cannot seriously complain, for he knows the condition of the game—but the minute that the companies begin to combine, the laws of competition are superseded by the laws of equity, the price is no longer the price that can be wrung out of the public in an open barter, but it is a price based strictly on the hazard.

Our conclusion then is that combination and equity in rates should be inseparable; not only has experience shown that equitable rates are impossible in the absence of combination, but conversely, if there is to be a combination, then out of it must (by the help of law if competition is not sufficient) come equitable rates; that is, *if companies are to be allowed to combine then it must be only on the assurance that the rates will be equitable.*

Not only has the Exchange failed to make effective efforts to inform itself of the result of its rate-making activities in the aggregate, but it has also been deprived of the classified experience of its members which might have been useful as a guide in ascertaining whether a necessity for a change in rates existed.

The value of such classified experience as a basis for rate making was recognized by the Exchange very early in its existence

and attempts were apparently made to induce the companies to adopt a uniform classification. To aid the companies in doing this the Exchange began classifying all risks according to the universal mercantile schedule classification and each rate card, as issued, was supplied with its classification number. This classification has been maintained to the present day, but it is practically valueless, except as an indication of what might be done, because the companies have failed to classify their experience accordingly.

The rate committee minutes show among others the following references to the collection of statistical information gathered for the purpose of serving as guides for possible rate changes. The illustrations are of interest in showing the methods of the association in reference to rate changes and the nature of the information upon which such changes are based.

In 1902 the Manhattan Pharmaceutical Association complained of rates on pharmacies. The druggists made a report showing the amount of premiums paid by 200 out of 300 members of the German Apothecaries Society and the losses paid to such members during an average of 13 years, which showed that the losses amounted to 5 per cent. of the premiums. As a result of the above, the following resolution was adopted:

After the committee representing the druggists had retired it was voted to recommend, *in view of the fact that the Bureau of Combustibles had prohibited the sale of benzine, naphtha, etc.*, that the minimum rate on apothecaries be reduced from \$1.00 to 75 cents.

In 1904 a special committee of the Exchange submitted figures showing that the losses on telephone exchanges *within the territory of the Exchange* for 10 years past amounted to 6.32 per cent. of the premiums collected. It was voted to reduce the occupancy charges from 60 cents to 45 cents. The minutes fail to show who initiated this action. In 1911 the rates were further reduced to 20 cents. Apparently no statistics were gathered to be used as a basis for this latest reduction. It seems that the telephone interests were dissatisfied with the reductions granted in 1904 and took their business away from the stock companies. The reduction of 1911 was made in order to bring the business back to the stock companies.

In June, 1908, a prominent member of the Exchange suggested that the rates on household furniture in brick dwellings be increased. In support of his request that this be done, he submitted figures of his company showing a loss ratio of 76 per cent. on this class. To ascertain the general feeling of the membership, the manager of the Exchange sent out the following circular letter:

July 9, 1908.

The rate committee is desirous to secure information as to the experience of our members for the last five or ten years on household furniture in brick dwellings within the territory of the Exchange and it has instructed me to ask for the same, subject to the understanding that I am to hold all individual figures as absolutely confidential, placing before the Committee only the tabulated results. With that understanding may I ask at your hands the following information, upon my assurance that the same will be treated as strictly personal and confidential?

Please give results of your experience for five or ten years past on household furniture in brick dwellings located within Exchange territory under the following captions:

Year	Amount Insured	Premiums Received	Losses Paid	Loss Ratio	Loss cost per \$100 Insured	Average Rate
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If your experience has not been favorable to what figure, in your opinion, should the general minimum rate, which is now .16, be advanced?

In your opinion are advances called for in any other of our minimum rates for household furniture, the entire list at present standing as follows:

	<i>Building</i>	<i>Contents</i>
Dwellings—brick, stone or iron.....	.10	.16
Dwellings—frame or brick filled or brick and stucco....	.16	.20
Flat houses—brick	.15	.20
Flat houses—frame	.20	.24
Stores and dwellings—brick, stone or iron.....	.20	.24
Stores and dwellings—frame or brick filled.....	.40	.40

Very truly yours,

MANAGER

In response to this circular, figures were received from only six companies and replies were received from thirty-three others. The consensus of opinion appeared to be that an increase in this class would affect the general public to such an extent that attention would be drawn to the already very large profits made in Exchange territory and that, as a result, adverse legislation might be expected. The following letters are indicative of this feeling:

(a)

We are opposed to any increase and while on the subject of rates we venture to suggest there are many other classes of property beside retail drug

stores and lumber yards which might properly and profitably be reduced, on which the experience in this city would justify a considerable reduction. Among them we might mention, in passing, sprinklered department stores — no losses in 25 years.

(b)

Such a change would be so far-reaching and would affect so many people that the result of it might be injurious to the business conditions now existing and a menace to the life of the Exchange.

(c)

* * * we are free to confess that we are opposed to an advance of rate on this class or practically any other class at this time. With one or two exceptions, perhaps, we consider that the rates in New York city are high enough. To make an increase in household furniture rates would be very far reaching, affecting as it would so large a number of the insuring public, and is almost sure to bring about a very strong feeling of resentment, which might cause adverse legislation at Albany.

(d)

We are of the opinion, however, that no advance in rate on this class should be made, whatever the aggregate experience of the companies may be, for the reason that the business in the territory of the Exchange has yielded a very handsome profit as a whole — larger than is healthy or conducive to permanence.

Not only is its exceeding sweetness drawing many "flies" that are increasing the competition both fair and unfair, but the companies have no right to advance rates on property that they are willing to pay an agent's commission thereon of 35% in addition to other expenses direct or indirect of not less than 10 or 15%.

It would be far wiser to seek the classes that have paid unreasonably large profits during the past ten years and reduce the rates thereon, before further steps are taken to advance rates upon unprofitable classes.

We hope there will be many members who will agree with us in this general position, while we shall welcome a movement having for its object some deserved decrease in rates that can be shown to have proven excessively high.

Yours very truly,

MANAGER

P. S. Is it supposable that the members of the Exchange would be willing to combine their ten years' experience of aggregate profit in this "Exchange" field during the past ten years? 'Twould be a most interesting exhibit.

Notwithstanding the meagre information received as regards actual figures from companies, the rate committee recommended on August 25, 1908, an advance in rates from 16 cents to 20 cents on household furniture in brick dwellings. This recommendation, however, was not approved by the Exchange, possibly as is indicated in the above correspondence, because it was inexpedient.

On March 14, 1910, an organization of printers requested a reduction in rate. The manager called upon the companies for their experience and only 20 companies responded. Six companies out of the 20 furnished partial returns, therefore, the figures from 14 companies only were available. These records varied in covering periods ranging from two to ten years and represented a premium income of over \$1,000,000. The loss ratio according to this tabulation was approximately 51 per cent., and on the strength of this the request for reduction in rates was denied.

In 1910, an association of hotel men of this city took up with the Exchange the matter of fire insurance rates on hotels. The hotel men submitted figures to prove that the existing rates produced a very high profit and that the rates should be reduced. These figures showed that in the five-year period, 1905-1910, the premiums on hotels and contents in Exchange area amounted to approximately \$1,270,000 with losses of \$50,000 for the same period.

The experience of the membership was collected and collated as follows:

CLASS	Number of risks	Insurance carried	Average rate	Annual premium	Five-year average annual loss	Percentage of loss to premium
1. BUILDING						
Fireproof hotels.....	41	\$32,800,000	.328	\$108,000	\$2,000	2
Fireproof apartment hotels.....	26	9,620,000	.244	24,000	1,300	5.4
Fireproof totals.....	67	\$42,420,000	.296	\$132,000	\$3,300	2.5
Non-fireproof hotels.....	23	\$4,800,000	1.06	\$48,760	\$575	1.2
Non-fireproof apartment hotels.....	3	1,015,000	.637	6,478	45	.7
Non-fireproof totals.....	26	\$5,815,000	1.01	\$55,238	\$620	1.12
Fireproof and non-fireproof totals.....	93	\$48,035,000	.39	\$187,238	\$3,920	2.1
2. CONTENTS						
Fireproof hotels.....	41	\$6,150,000	.495	\$30,750	\$3,000	9.75
Fireproof apartment hotels.....	26	1,413,000	.367	5,400	1,300	24
Fireproof totals.....	67	\$7,563,000	.444	\$36,150	\$4,300	11.9
Non-fireproof hotels.....	23	\$2,300,000	1.31	\$30,130	\$1,725	5.7
Non-fireproof apartment hotels.....	3	99,000	.887	879	180	20.5
Non-fireproof totals.....	26	\$2,399,000	1.26	\$31,009	\$1,905	6.15
Fireproof and non-fireproof totals.....	93	\$9,962,000	.68	\$67,159	\$6,205	9.25

Average loss ratio on buildings and contents, 4%

On September 7, 1910, the committee of the association of hotel men was informed that —

* * * the Rate Committee somewhat reluctantly reached the conclusion that at the present time it could not recommend to the Exchange any modification of the present hotel rates. Briefly stated, two considerations dictated this decision.

1. The total premium income received from insurance on buildings and contents of the 93 hotels in our inquiry, and which are divided into the four groups of fireproof hotels (41), fireproof apartment hotels (26), non-fireproof hotels (23), and non-fireproof apartment hotels (3), is approximately \$250,000. Expenses and minimum allowances for profits and conflagration reserve would leave, say, one-half of this sum available to pay the annual loss on the class without entailing a net loss thereon to the underwriters. In other words, in the five-year period covered by your figures and our own, the companies could have lost an aggregate of, say \$625,000 on hotel buildings and contents in New York City and then have just "broken even" on the class. But, as a matter of fact, \$625,000 is almost exactly the average amount of insurance on each of the 93 risks dealt with, the average figures for building apparently being \$515,000, and for contents \$107,000, as nearly as can be estimated. In other words, the present rates on hotel properties would allow for the equivalent of one total loss in five years out of 93 risks written. The fact that there has been in the actual five-year period under consideration not only no total loss, but only a run of very trifling losses indeed, shows that the results of such a class during such a period form a wholly inadequate basis on which to establish an experience table for use in the building up or modification of rates. If, for instance, the five-year period selected for examination, instead of being that covered by the years 1905-1910, had been the somewhat earlier period of similar length during which the destruction of the Hotel Windsor and the very bad damage to the Park Avenue from the Armory fire both occurred, the whole showing would be reversed. The fact that there has been a phenomenally fortunate experience on hotels for five years goes no way at all to the establishment of the average which alone can be of use as a basis for insurance rates. No period which is not long enough fairly to indicate the average interval between total, substantially total, or at least heavy, losses, can be relied upon for such a purpose.

Theoretically, it would be hard to satisfy experienced underwriters that an average rate of .39 on building and .68 on contents, which is shown by our records for the 93 risks dealt with, is an exorbitant one, or likely in the long run to yield a profit greater than the average in the underwriting business, and this theoretical reasoning would not be refuted by any experience tables based on a single very fortunate five-year period.

Very truly yours,

MANAGER

But the hotel men were apparently not satisfied with this explanation for the question was kept before the Exchange. In June, 1911, a broker interested in this class informed the Exchange that the organization of a hotel men's mutual was in con-

templation and that "If a reduction is to be granted, conditions warrant that there be no further delay if the mutual scheme is to be forestalled." The rate committee then reached the conclusion that the rates for fireproof hotels and contents in Exchange territory were too high and instructed the rating department of the Exchange to prepare a revised schedule which would have the effect of reducing fireproof hotel and contents' rates on the average of 20 per cent. Because new surveys were made of all the risks of the affected class, the revised schedule did not go into effect until March, 1912. No change was made in the method of rating non-fireproof hotels.

On June 14, 1911, the Exchange made an advance in the ratings of garment working risks. The advance was made as the result of a long continued agitation on the part of several companies. The first reference to this subject appears to have been made in April, 1909, when a company reported that its losses in Greater New York from January, 1906, to February, 1909, were 105.9 per cent. on a premium income of \$34,732. A second reference was made by a member under date of September 1, 1909. The losses of this member on clothing factories for seven years ending December 31, 1908, were stated to be 70 per cent. on a premium income of \$155,675.

No action was taken at that time, but the member last referred to continued to agitate this matter. There appears to have been some attempt to collect the company experience upon the class, but it seems there was a sad lack of uniformity in the classification as kept by the different companies. Some companies included sprinklered risks and sweatshops in their general classification of clothing factories and others did not; some included corset and glove factories, collar and cuff factories, shirt makers and furriers, in the class and others did not; in fact, quoting the manager:

Inquiry showed that there was hopeless non-concurrence of Exchange members as to outlines, divisions and subdivisions of their garment working classes, so that while figures were obtained from a number of sources, no full canvass or tabulation was deemed practicable.

The advance in base rates affected the risks by advancing the final rates from 10 per cent. to 35 per cent., the poor risks which

were already highly rated receiving the smaller percentage advance and the large risks which had received a lower rate on account of the superior construction of building and the installation of fire fighting apparatus receiving the greater percentage advances. The class affected constituted 25 per cent. of the manufactured product of New York City, and with an average advance of 25 per cent. in the final rates the annual premium increase may be roughly estimated at \$1,000,000. This was by far the most important advance in rates made on a class of risks since the organization of the Exchange, being exceeded in volume of premium increase only by the advance of 1902 in Brooklyn on account of deficiency of water supply and the general advance of 1906 on account of the San Francisco earthquake.

According to the Exchange agreement, the association was formed because comparison of experience is necessary for the determination of adequate and just rates of premium, and such an association of underwriters is stated to be in the mutual interest of the underwriter and the property owner. Through the failure of the Exchange members to adopt a uniform system of classification, and to that extent, at least, the members fell short of their full duty to the association, the Exchange was unable to tabulate the companies' experience, although figures were obtained from a number of sources. And in making an advance of possibly \$1,000,000 per annum on the incomplete and unsatisfactory figures obtained from a chaotic classification, the Exchange action properly raises a doubt in the mind of the insured whether the Exchange is maintained for the mutual interest of the underwriter and the property owner.

Attention should also be directed to the fact that this enormous advance took place exactly six months after the so-called final remission of the San Francisco advance (December 14, 1910). At that time the Exchange issued a statement which reads in part as follows:

The committee shares in what it believes to be the general sentiment of the Exchange membership, that the advance in rates made by the Exchange in May, 1906, may now be safely and wisely rescinded, as to almost all classes of risks involved in it. The results of fire underwriting operations in the territory of the Exchange during the four-and-a-half years that have passed since that advance was promulgated, the evidently permanent betterment that has meantime been wrought (not without the active assistance of the Ex-

change) in fire hazard conditions in that territory, and the implied obligation under which every rating organization rests to make prompt and voluntary concessions in its ratings in recognition of any permanent reduction in the loss ratio all tend to this conclusion.

It is therefore evident that six months after the Exchange placed itself on record that the underwriting profits were satisfactory, and that the loss ratio had been reduced to an extent which obligated the Exchange to put into effect rate reductions amounting to about \$1,250,000 per annum, the Exchange made an advance in clothing manufacturing rates, which nullified the reduction to the extent of 80 per cent. No compensating reduction in rates was made on other classes, although on June 14, 1911, after the advance was voted, the Exchange was virtually in the same position as it was on December 14, 1910, when it was under implied obligation to reduce rates.

On October 2, 1911, one of the Exchange members who conducted an agency in New York for a number of out-of-town companies called attention to the matter of reduction in premium *income* on account of the increased scope given to the operation of the restricted sprinkler schedule and suggested offsetting these reductions by corresponding advances in the rates of "unprofitable classes." This member subsequently submitted a list of "unprofitable classes" on which he declared increases of rates to be necessary. Another member also furnished a list of "unprofitable classes" and it was stated that "a study of these lists not only showed that omnibus manufacturing risks appeared on both, but that many other classes common to both lists were such as are commonly found in buildings of omnibus occupancy, and the members of the rate committee on comparing their own experience were of opinion that the bad record of a large number of all the classes enumerated was really due to the experience with risks of these classes which could also be cross-classified as of omnibus manufacturing character. Inquiry of other members of the Exchange tending to confirm this conclusion, the advance of 5 per cent. on building and 15 per cent. on contents of omnibus manufacturing risks was recommended." The advance went into effect December 13, 1911. Apparently no figures were collected. Many of these risks were already heavily penalized with enormous occupancy charges. It is impossible to estimate the

amount of this increase, but as the great majority of non-fire-proof mercantile or manufacturing buildings are affected by the increase, the advance must be enormous. This advance, together with the clothing advance of June 14, 1911, probably more than offset the remission of the San Francisco advance made on December 14, 1910, and the relative level of rates after the advance of December 13, 1911, was apparently as high as it was before December 14, 1910, when the San Francisco advance was professedly removed. In other words, within one year, the reductions made on December 14, 1910, were offset by advances, leaving the rates about where they were before the reduction, excepting for the fact that there was a redistribution of the burden.

As of general interest, the following figures regarding sprinklered risks may be cited. In March, 1909, from information obtained from Exchange records, it was estimated that the premium income to stock companies on all sprinklered risks in Exchange territory for three and one-third years was \$5,950,000, with \$1,230,000 of losses. The above includes risks rated on the restricted sprinkler schedule as well as on other schedules. The estimated average rate was 65 cents per \$100 of insurance. The restricted sprinkler rates are as low as 10 cents.

Other efforts than those above recorded were made to collect experience figures as guides to possible rate charges, but requests for such figures met with few responses. It would seem that the companies quite generally were indifferent to these efforts on the part of the Exchange to obtain information, a rather strong indication that existing rates were satisfactory to them.

In a statement submitted by the Exchange to the legislative committee of 1910, one of the objects in fixing rates of premiums to be charged for risks was:

So to apportion this levy or insurance tax, among various classes of risks as to make each class come as near as possible to the payment of its own, losses and the contribution of its proper proportion towards the expense, profit and reserve accounts.

It must be evident from the foregoing that the Exchange received but little co-operation from its members to enable it to carry out this object, and that this object was, therefore, not achieved. In fact, as the rates in the aggregate are excessive (as

can be gathered from the patrol figures as well as from the quoted letter written by a member in 1908 relative to the advance on household furniture) it must follow that the rates on various classes are inequitable and unjustifiably high.

BROKERAGE DEPARTMENT

The licensing function of the Exchange is exercised by the brokerage committee. It is the duty of the brokerage committee to issue a broker's certificate to all applicants duly qualified to receive such certificate, and the membership of the Exchange is pledged to pay brokerage only to those brokers who have been so certified. It is also the duty of this committee, according to the wording of the agreement, "to secure information in regard to applicants from all available sources" before passing upon their eligibility; if the applicant is found satisfactory he must sign an agreement to abide by the rules of the Exchange and the certificate is granted him.

The brokerage committee is further required by the Exchange agreement "to receive complaints against holders of certificates or applicants from any party presenting such complaints." Upon receiving charges that a broker has violated any of the provisions of the pledges and agreement signed by him, he is given an opportunity to appear before the committee in his own behalf before action is taken. If, in the opinion of the committee, the charges are well founded, the certificate of the broker found in violation must be revoked. The broker then has the right to appeal to the arbitration or grievance committee, whose decision is final. The appeal must be made within ten days of the mailing of notice of revocation by the brokerage committee. A broker whose certificate has been revoked cannot receive a new certificate, except upon the recommendation of the brokerage committee and a vote of 90 per cent. of the members of the Exchange present at the meeting before which the application is placed.

It does not seem necessary, however, for the brokerage committee to rely upon the provisions of the Exchange agreement to terminate the certificate of any broker. Nor is it necessary, unless the committee so desires, to give the broker the right of appeal to the arbitration committee. The committee may, at its discretion

and without disclosing its reasons, take advantage, at any time it sees fit, of that clause in the agreement signed by the broker, which provides for its termination after ten days' notice is given of intention of cancelling such agreement by either party. If the committee decides upon cancelling a certificate in this manner, the broker has no appeal. This makes the brokerage committee the court of last resort in practically all cases, for it often happened that when the arbitration committee overruled the brokerage committee, after that committee had revoked a certificate, the latter then cancelled the agreement by a ten days' notice or instructed the office not to renew the certificate at its expiration.

The brokerage department is nominally under the control of the brokerage committee. Routine matters are disposed of under the direction of the Exchange manager's assistant, who is the designated head of the department, and matters requiring action on the part of the brokerage committee are apparently passed upon by that committee in a perfunctory manner, in accordance with the recommendations of the head of that department, unless the personal interest of a member is affected or outside pressure is brought to bear upon the committee.

When the Exchange agreement first went into effect in 1899, the brokers then transacting business received certificates upon recommendation to the Exchange by companies with whom they did business. This practice was discontinued early in 1900. The brokerage committee has since established certain requirements by which it measures applicants for the certificates. The Exchange agreement prohibits the issuance of a certificate to any clerk or employee of the assured, or to a person who handles insurance for only one person or firm or individual members of such firm. There are no other fixed rules, but rulings made by former brokerage committees are usually accepted as precedents or guides by the brokerage committees as subsequently constituted, and applicants are generally considered accordingly.

During the first few months of the Exchange's existence, no charge was made for the certificate. Beginning with April, 1900, an annual fee of \$2.50 was charged, which was increased to \$5 on May 1, 1904, and since May 1, 1909, the fee has been \$10. When a certificate holder failed to renew his certificate at expira-

tion, he was charged an additional fee of \$3 if a new application was filed and approved within six months of the expiration of the old one. If a broker, when renewing his certificate, could not for any reason return the old one to the Exchange office, he was penalized \$1. All of the above charges have been abolished since the enactment of the amended section 141 of the Insurance Law, which prohibited rating organizations from collecting fees from brokers.

The brokerage files contain about 35,000 file numbers, each number representing at least one application, and in some cases as many as ten applications.

The papers relating to approximately 600 cases were examined. Of this number, about 400 were picked at random from the files and included cases where certificates are now in force as well as applications that had not been approved, or where the certificate had been terminated either by expiry, cancellation or revocation. The rest were picked for examination from the minutes of the brokerage committee. In addition to the examination of these cases, the minutes of the brokerage committee were gone over in considerable detail from the time its activities were begun up to the date of this examination.

The committee has in many cases set aside the rules that are ordinarily applied in considering applications, renewals, or charges. These deviations from the usual practice are by no means the result of inadvertence but are deliberately made. They are even recorded as "exceptions," a card index being maintained for the purpose of keeping track of them. Due to the fact that the membership of the committee is continually changing, it has been the practice of the office to submit the names of certificate holders who received their certificates as "exceptions" for possible action just prior to renewal each year. But the committee rarely ordered a certificate dropped that had been issued by a former membership in violation of the professed rules of the Exchange. Such certificates are almost invariably continued by a resolution containing the statement that "present members of the committee do not see their way clear to reverse decision as arrived at by previous units on the committee."

The "exception" file shows that about 700 exceptions to rules

or established practice were officially made. This figure does not include subsequent reaffirmation of "exceptions" made when they were brought up for renewal.

A great variety of reasons prompted the committee in making these exceptions. In many cases, the granting of certificates in this way is undoubtedly due to the fact that the personal interests of one or more members were served thereby. Personal interests seem to enter quite strongly.

Very often a certificate is granted only because some prominent company official urges that it be granted. A potent weapon to procure the backing of insurance interests regardless of rules is the control of a large amount of business. The argument often used in this connection is that other certificates are also out in violation of the rules and therefore the case in question should also be favorably decided regardless of rules. The records also show that when applicants have the backing of men prominent in politics the rules are apt to be overlooked. Men holding public office appear to have had no difficulty in obtaining certificates, nor did, in short, anyone who could cause sufficient pressure to be exerted in his behalf. On the other hand, numerous applications were rejected for trivial or no reasons, the applicants, in many such instances, apparently unable or unwilling to enlist the aid of influential persons, abandoned their efforts to secure Exchange certificates after one or two fruitless attempts.

One of the rules of the committee is that when an applicant has once been rejected a further application will not be considered, unless presented by a voting member of the Exchange. The records plainly show that in many cases where one application has been impartially judged by the rules and rejected, the subsequent applications bring out the influence which in many cases cause the committee to reverse itself and issue a certificate with no change in the conditions from what they were when the first application was rejected.

Although a record is kept by the brokerage department of the certificates issued to applicants not in accord with the rules or established practice of the brokerage department, no record is kept of the applications rejected where the applicants had in every respect complied with those rules. A number of such cases developed among the six hundred and odd cases examined.

The committee never, excepting in an occasional case, divulges the reasons for its action. When an application is rejected the applicant does not know upon what grounds adverse action was taken, nor has he any official and open means of ascertaining the reasons. Despite this, the rule of the committee is that further application from a broker once rejected will only be considered if presented by a voting member of the Exchange, who, in addition to presenting the application, must state "his reason or reasons" as to why the new application should be entertained. It is obviously absurd to make such a condition when the applicant is not told why his first was rejected; he cannot correct what may be remediable faults in the application or in his mode of conducting his business, nor is he in a position to controvert allegations that may have militated against him. Examination of the records shows that the "reasons" given are merely generalities in many cases, while in others the letters show that the information necessary to the successful submission of a further application is permitted to leak out in an unofficial way, or is verbally hinted by the head of the brokerage department.

The committee's policy of secrecy often works unnecessary hardship. Further, it causes the decisions of the committee to appear purely arbitrary, and often unjust and tyrannical. A considerable proportion of the rejections, for instance, are made because one of the references given in the application has not returned the Exchange's query sheet. This omission is, of course, sometimes due to the fact that the reference given does not feel that he can honestly recommend the applicant for favorable consideration. But in many cases the non-receipt of a reply from a reference is undoubtedly due to neglect or unintentional oversight. In such cases, the applicant if apprised of the facts could probably supply other satisfactory references. Under the committee's practice, however, he merely receives a terse notice to the effect that "the brokerage committee considered application for a certificate and declined to issue same."

Other rulings equally harrassing and unwarrantably interfering with brokers were noted, and the uneven application of the rulings indicate either undue favoritism or gross discrimination. Thus, a partnership had to incorporate in order to retain the word "Company" in its business title. Another had to drop the

word in order to obtain a certificate, while still another received a certificate without molestation. Again, an insurance broker who was in partnership with another in a business other than fire insurance was required to have his partner sign the Exchange pledges, while under exactly similar conditions another broker was not "annoyed." A broker who was interested in extensive real estate operations in Exchange area retained his certificate, while another broker who was interested in real estate operations outside of Exchange area was required to sever his connections with the real estate concern, before obtaining the Exchange certificate. A corporation was denied a certificate for refusing to give a list of its shareholders, while another received a certificate without even being asked for such a list. A broker lost his certificate for refusing to furnish articles of incorporation of a concern of which he was officer and stockholder, whereas another broker received his certificate without being required to furnish similar information, and still another broker in order to retain his certificate had to obtain from the secretary of state a copy of the articles of incorporation of a defunct concern of which he was once an officer.

A corporation was refused a certificate for having a capital less than \$1,000, while other corporations having a capital of \$500 or \$600 had no difficulties in this respect. Some applicants were refused certificates because they were engaged in occupations other than insurance, whilst others engaged in identical occupations received their certificates. In one case a certificate was refused to a corporation because it was not authorized to transact an insurance brokerage business and five days later a certificate was issued to another corporation under precisely the same conditions.

The autocratic attitude of the brokerage department and its committee is quite in evidence throughout the mass of material going to make up the brokerage files. Brokers were *requested* to call at the office for the most trivial reasons, and the failure of brokers to comply with the request was usually followed by a threat of cancellation of their certificates. Brokers or applicants who were inclined to criticise any act or decision of the brokerage committee, or question its authority, were likely to bring trouble upon themselves.

The members of the Exchange themselves seem to be in doubt just where to place the blame for the unnecessary friction between

the Exchange and the brokers — whether to place it upon the brokerage committee or upon the brokerage department.

Insurance brokers are by law defined to be the agents of the insured, but the principle upon which the brokerage department operates was stated by the attorneys for the Exchange in 1901, the opinion in part being as follows:

It is our opinion, moreover, that your committee, acting as the agent of the companies who employ brokers, has an absolute discretion as to whom it will recommend for employment, and is not accountable even for an abuse of such discretion except to companies whom it represents.

Accordingly, it is not surprising that we find in 1905 the case of a broker who was properly impressed with his duty towards the Exchange after he had solicited business on the grounds that he was specially qualified to secure reductions in rate. In a letter written by the manager to the broker in question, the following sentence occurs:

I beg to call your attention to the fact that your standing as a broker is certified to by this Exchange and we do not propose to extend the certificate to men who make use of it to injure the Exchange.

The Exchange possessing this power of life or death over its certified brokers, it is readily conceivable that the brokers' activities would not be directed with an eye single to the interests of his clients, for fear that such activities would be construed as an injury to the Exchange.

In practice, the qualifications called for by the rules of the committee have been found to be quite perfunctory and rather inadequate as far as the protection of the public against undesirables is concerned.

The conditions surrounding the issuance of brokers' licenses by the Exchange are now affected by the enactment of section 143 of the Insurance Law which requires the Superintendent of Insurance to issue certificates of authority to insurance brokers who are trustworthy and competent to transact the insurance brokerage business in such manner as to safeguard the interests of the insured. It is the announced intention of the Exchange to co-operate to the fullest extent with the Insurance Department in its administration of this law and with this object in view to regulate the conduct of its own brokerage department so as to be in harmony with the policy adopted by the State.

COMMISSIONS

Apparently no organization like the Exchange can exist merely upon the basis of an agreement by the subscribing companies to maintain certain rates. Unless the rates of commission are also fixed and uniformly adhered to by the companies, disintegration, brought about by the competition for the business of the broker by the offer of higher commissions, would soon set in. The Exchange agreement, therefore, fixes the rates of commission to be paid by subscribing companies to brokers, and also limits the number of agencies and branch offices each company may maintain in the area of the Exchange. The Exchange agreement, however, was not considered sufficiently strong to prevent companies from evading or ignoring the provisions regarding brokerage and commissions. The plan was therefore devised which enables the Exchange to maintain control over brokers, and by means of such control to insure adherence on the part of the companies to the provisions of the Exchange agreement. This control is effected:

1. By requiring brokers to secure certificates from the Exchange before they can secure any commissions from the Exchange companies.

2. By requiring brokers to pledge themselves not to accept from any company any commission for business placed with them in excess of that permitted by the rules of the Exchange.

This pledge, known as "Broker's Pledge, Class I," reads as follows:

In consideration of the commissions or brokerages at the current rate that may be fixed and established for the time being by, and to be paid by the members of the New York Fire Insurance Exchange, I hereby promise and agree that I will not, directly or indirectly, pay to or divide with any person not holding a Broker's Certificate from the Exchange, any commission or brokerage, nor will I receive from any company or agent, directly or indirectly, any remuneration for business placed with them in excess of that permitted by the rules of the Exchange.

It becomes evident that by binding the broker in this manner the violation of the agreement by members becomes a more difficult matter, involving as it does not only punishment of the member, if detected, but also the probable termination of the broker's certificate, this latter disciplinary measure practically debarring the broker from further carrying on his business.

A further object in maintaining control over brokers is to discourage them from placing insurance with companies who are not members of the Exchange, thus obliging companies who are desirous of writing insurance in Exchange area to subscribe to the Exchange agreement. This result is secured by fixing the brokerage at a certain level referred to in pledge, Class I as the "current rate," and allowing the broker an additional 5 per cent. if he will further pledge himself to give preference to members of the Exchange in placing his business. This second pledge is known as "Broker's Pledge, Class II," and reads:

In consideration of the payment to be made to me of an additional five per cent. to the commissions or brokerages as provided for in Broker's Pledge, Class I, signed by me, I hereby promise and agree, in addition to said pledge, that in placing insurance I will give the preference to the members of the New York Fire Insurance Exchange, and that I will not place any risk with those not members unless I cannot secure sufficient insurance on such risks from members of the Exchange, in which case I agree to file with the Secretary of the Exchange, within one week of so placing, a list of such outside company or companies in which same has been placed, with the name of the assured, location of risk and the amount of insurance given them.

The current rate of brokerage on churches, schoolhouses, dwellings, private stables, stores and dwellings and their contents is 15 per cent. The rate of brokerage on all other risks located in the congested district of Manhattan bounded on the south by Chambers and New Chambers streets and on the north by 14th street is 5 per cent., and the rate on all other risks located outside of the congested district in the remainder of the territory of the Exchange is 10 per cent. The additional 5 per cent. allowed to the broker upon his signing pledge Class II amounts to 25 per cent., 33 $\frac{1}{3}$ per cent., or 50 per cent. of his total commissions, according to the nature or location of the risk insured. Refusal on the part of the broker to sign pledge Class II would so seriously impair his income as to make it virtually compulsory on his part to sign both pledges. It may be pointed out that should a broker sign pledge Class I only, he would be permitted to receive not more than the "current" rate, not only from the Exchange company, but also from any non-exchange company, being thus deprived of the additional 5 per cent. commission on business placed with Exchange or non-exchange companies. That pledge Class I and pledge Class II are firmly coupled was quite evident when

the Exchange limited commissions on risks rated under the restricted sprinkler schedule to 5 per cent. when that schedule was adopted. This matter was sharply brought to the attention of the Exchange by a broker in 1910, who claimed that by signing pledges I and II the Exchange companies were obligated to pay him some commission in consideration of pledge I and an additional 5 per cent. under pledge II, but if the total commission amounted only to 5 per cent., then he received commission under pledge II, and nothing under pledge I. The broker's claim for additional commission was denied, this decision being made by the Exchange with the firm conviction that the arbitration committee could be relied upon to rule against the broker, should the broker carry his claim to that committee, the broker having agreed:

To observe and abide by the rules relating to brokers and brokerages and commissions that may from time to time be provided by the Exchange, and to accept as final the decision of the Arbitration or Grievance Committee of the Exchange with respect to any charge of violation of such rules.

The weakness of the Exchange position was nevertheless recognized and the 5 per cent. limitation of commissions on risks rated under the restricted sprinkler schedule was thereupon removed.

All brokers certified by the Exchange have signed both pledges Class I and Class II.

Branch office managers may receive the regular broker's commission together with an over-riding commission of 10 per cent. and an additional 5 per cent. commission contingent upon the profits of the branch office.

The Exchange has no rules governing the rate of compensation to be paid to head agents or managers. The prevailing rate of commissions paid to agents is the regular brokerage plus an over-riding commission of 10 per cent. with a 5 per cent. contingent interest in the profits of the agency, although 35 per cent. to 45 per cent. inclusive of brokerage have in some instances been paid.

The rules of the Exchange as to brokerage and commission apply to the writing of torando insurance as well as fire insurance.

WORK OF THE EXCHANGE

In concluding this report it is proper to call attention to the stupendous task imposed upon the Exchange in rating the varied

and complex interests in its territory and keeping pace with the interminable changes occurring in construction, occupancy and equipment as well as keeping abreast of new conditions. The great and increasing mass of this work is performed efficiently, satisfactorily and as expeditiously as the trained staff and employees can handle and dispose of it. Thousands of rate changes affecting classes of risks and individual risks are made annually; hundreds upon hundreds of questions are raised affecting rates and rules which are passed upon and disposed of to the satisfaction of all interests concerned, but which, for that very reason attract little attention and excite no comment. Considerable space is devoted in the preceding pages to criticism of particular acts and practices of the Exchange, but for reasons above stated such criticisms have a tendency to overshadow the more numerous occasions and more general practices affecting commendable features of the work of the Exchange. The public benefits incidental to the work of the Exchange should also be dwelt upon, and they can be best stated by quoting from the memorandum prepared by the New York Fire Insurance Exchange and submitted to the joint legislative committee in 1910:

First — Improved Fire Protection and Water Supply:

There can be no doubt that the practice maintained from the first by the Exchange of including in its rates a charge for defective water supply and fire protection and making prompt allowance for betterments in these respects, has contributed largely to the improvement in fire protection, both public and private, that has been so marked a feature of the recent history of New York. When the high pressure service was installed in certain areas, first in Manhattan and then in Brooklyn, the Exchange made prompt reductions in its rates, although its members fully expected that the reduced risks of a conflagration would be offset in large part by increased water damages to stocks, especially during the experimental period of the first year or two — an expectation quite justified by the outcome.

Second — The Rapid Rebuilding of New York as a Fireproof City:

The exchange has done almost more than any other agency both to improve the quality of so-called fireproof construction, by

charging for defects, and to encourage by its very low fireproof building rates the multiplication of standard fireproof structures and the breaking up of great areas of conflagration breeders. The difference between properly and improperly protected girders, columns and beams is one that architects and owners have largely learned from underwriters, whose knowledge has been put before them in the persuasive form of discriminating rates. It is now a common practice for architects to submit plans for new buildings and improvements to the Exchange for comment and criticism, and in order to secure advance information as to probable rates.

Third — Relation of the Exchange to Trade Associations, etc.:

The office of the Exchange has always been open for conferences with committees or representatives of trade associations of all kinds in order to secure a free interchange of information as to hazards, trade conditions and the make-up and results of the rate-making schedules applicable.

Fourth — Storage Warehouse Schedules, Forms and Rules:

No better illustration can be found of the way in which the Exchange combines the work of careful discrimination of hazard with that of safeguarding the public as well as the underwriters from the unnecessary threat of fire, than in its well-known "Alphabetical List of Charges for Merchandise in Listed Storage Stores" and the rules and forms accompanying it. Not only are separate rates made for some 1,500 kinds of commodities likely to be found in such stores, but regulations are framed and enforced against the storage of articles of high hazard in the same premises with non-hazardous merchandise.

Fifth — Miscellaneous:

Among the kinds of improvements brought about by Exchange methods, and of which no mention is made by classes in the foregoing paragraphs, may be included the removal of untidy (dirty) conditions; installation of metal receptacles for ashes, waste, etc., vacuum exhausts for shavings and wood dust into vaults; installation of water casks and pails; the provision of metal gas connection in place of rubber tubing; restriction and regulation of gasoline; correction of defective electric wiring; installation of chemical hand fire extinguishers; the enclosing of stair, elevator

and other openings between floors; protection of window openings; the discouragement of large and unbroken areas and excessive heights; the introduction of fire walls; the installation of automatic sprinklers; brick construction in place of frame; fire-proof construction in place of ordinary, etc., etc. Not less than 16,000 improvements of this kind are made annually and allowance granted therefor in rates by the Exchange. Collateral to this the Exchange gives information to the public as to how improvements shall be made, furnishing without charge (unless the undertaking be a very large one calling for an unusual amount of time and attention) information and instructions as to the "Installation of Fire Pails," "Receptacles for Ashes, Rubbish and Other Waste," "Watchman and Clock Service," "Fire Resisting Appliances," "Chemical Hand Fire Extinguishers;" in addition to which reams of manuscript instructions are given out in answer to special inquiries every year. Copies of the schedule of his rate may be had by any property owner for the asking, and he is thus able to see exactly how his rate is made up and how reductions can be obtained by making specific improvements.

RECOMMENDATIONS

1. There are no figures officially gathered which will accurately reflect the ratio of losses to premiums in Exchange territory. From such figures as are available it would appear that the rates levied by the Exchange produced an average underwriting profit of not less than 14 per cent. for the entire period of its existence — a profit indicating excessive rates. Practically all rating is done independently of other rating organizations upon bases and schedules peculiar to the Exchange and it should be considered a matter of importance to ascertain the premium rate, the premium volume and the loss ratio in order to test the results of its rating methods. It, therefore, seems almost incredible that no systematic effort was ever made by any one in authority to ascertain these figures. The premiums collected in Exchange area amount almost to 10 per cent. of the premiums collected in the whole country and they are not exceeded in volume by any State in the Union (New York excepted). The volume of business being sufficiently large to justify separate tabulation, and especially in

view of the necessity of such tabulation for the purpose of testing the adequacy or equity of its ratings in the aggregate, it is recommended that the Exchange begin the systematic collection of loss figures as well as amounts at risk in addition to its present practice of collating the premiums written in its territory.

Although available statistics indicate an undue profit for the entire period of the existence of the Exchange, the above recommendation does not carry with it a suggestion for an immediate reduction in rates solely because of the poor experience during the years 1911 and 1912, the losses averaging 51 per cent. of the premium income for the two years. It is impossible to state at the present time whether the heavy losses of 1911 and 1912 were the result of purely accidental causes or whether they were the result of conditions which would tend to produce permanently a higher burning ratio. Should it develop that the loss ratios of 1911 and 1912 have become the normal loss ratio, the present rates would not seem to be excessive. On the other hand, should the loss volume recede to figures more in accord with the normal losses incurred prior to 1911, the obligation of the Exchange to reduce its ratings would be plain.

2. Effective measures should be adopted in order to enable the Exchange to obtain the experience of companies on the various classes rated by it. Rates should then be fixed upon the various classes in the light of that experience, aided by judgment and good faith so that such rates as between classes shall be as nearly equitable as it is possible to make them. The Exchange has adopted a classification which it employs in its work, but heretofore the companies have failed to co-operate to make the classification useful. It is incumbent upon the companies, who receive the benefits of association, to make equitable rates, and if necessary for that purpose, to adopt a common system of classification. If the present methods of classification are valueless for rate-making purposes, then some other method should be devised, for rate-making by combination, which bears no equitable relationship to experience, is both indefensible and intolerable.

3. During the fourteen years of its existence, the Exchange has formulated and adopted possibly thousands of rules — and exceptions. Until recently, no systematic attempt was made to

record these rules and they have failed to receive the degree of publicity to which they were entitled. The rules should be collated and overhauled, and where it has been found in practice that a rule works hardship or injustice the rule should be properly modified. The rules should be kept in such form as to be easily accessible to brokers and others interested.

4. The exposure table and rules for application should be promptly modified so that the results shall be more in accord with reason and equity.

5. The schedules of risks which constitute direct exposures to other risks should be available to all owners and tenants of the latter, not only as a matter of equity, but also to afford them opportunity to have, if possible, improper hazardous conditions remedied.

6. The palpable discrimination between the sprinklered risks rated on the restricted sprinkler schedule and sprinklered risks rated on other schedules should be removed.

7. The Exchange could enhance its value as a public service institution by co-operating with the fire prevention bureau with a view of having the conditions disclosed by its inspections and known to be illegal, reported to the bureau, in order that such conditions may be speedily removed.

8. The Exchange recognizes in its ratings appliances and equipments of approved manufacture or of approved construction. There appears to be a tendency among manufacturers of approved devices and contractors furnishing or installing such apparatus to reach agreements as to prices, thus materially adding to the cost of installing fire prevention devices. The Exchange should to the extent of its ability discourage such trade agreements and monopolies.

While the administration of the brokerage department and its treatment of brokers are severely criticized, no specific recommendations are made, absolute assurances having been given that the department will in future be conducted in a manner to avoid just criticism and that all abuses found to exist or brought to attention will be speedily corrected.

Likewise, no recommendations are made regarding conflagration reserves and mutual companies, both subjects having wider

application than the Exchange. The San Francisco conflagration indicated the necessity of a legal reserve for conflagration, both as a protection to the companies and policyholders and as a reasonable safeguard against the repeated imposition of a charge already paid for by the policyholder. The liberal treatment accorded by the Exchange to property owners who are able to obtain insurance in the factory mutuals suggests the desirability of framing our laws so as to encourage the formation and operation of mutual companies under proper safeguards.

SPRINKLER LEAKAGE CONFERENCE

NEW YORK, N. Y.

Examination as to the methods and manner of operation covering period from date of organization to December 31, 1913.

Report dated April 17, 1914.

Examiner: William H. Derrick.

History

The installing of sprinkler systems throughout buildings, stores, etc., and the liability to damage of stocks from water released from these systems, through accident, opened up a new avenue for insurance, namely, the coverage against loss from this accidental leakage, and about 1890 the first sprinkler leakage policy was issued in New York by the American Casualty Insurance and Surety Company of Baltimore, Md. About 1891 the Guarantors Company of Philadelphia, Pa., a liability company, operating on lines similar to Lloyds, began writing this line of insurance with rates from 75 cents to \$2.25. In 1893 the Underwriters at American Lloyds entered the field and in 1896 the Springfield Fire and Marine Insurance Company issued the first stock fire insurance company sprinkler leakage policy in New England, and was followed shortly by the Royal Insurance Company. The factory mutuals entered the field on November 18, 1901, their coverage being part of their fire policy. From time to time other companies entered the field, and with

this increase in the number of companies writing sprinkler leakage insurance, competition became stronger and rates materially decreased.

On November 24, 1911, the Ætna Accident and Liability Company, in view of the demoralized conditions affecting the business in Greater New York, addressed a letter to the following companies:

The Liverpool and London and Globe Insurance Company, Ltd., Maryland Casualty Company, North British and Mercantile Insurance Company, New York Underwriters Agency, Rhode Island Insurance Company, Royal Insurance Company, United States Casualty Company and Underwriters at American Lloyds.

This letter expressed the opinion "that the present situation is sufficiently serious to demand early consideration on the part of the companies with a view to adopting some plan of co-operation that will produce more adequate rates and place the business on a plane that will at least insure a small margin of profit."

On January 18, 1912, representatives of eight companies met and formed the Sprinkler Leakage Conference, an unincorporated body, which held its first meeting on January 23, 1912. A constitution, a copy of which is attached, was submitted and on February 6, 1912, officers were elected.

At the present time the Conference is composed of eighteen members.

Organization and Objects

The objects of the organization, as declared, are:

1. To promote good will and harmony between the members and proper practices in the conduct of the sprinkler leakage business, and to co-operate generally for the protection of the common interests of the companies which transact the business of sprinkler leakage insurance.
2. To act as referee in all matters connected with the administration of sprinkler leakage insurance in New York State, Massachusetts, Rhode Island, Allegheny County, Pennsylvania, and the cities of Philadelphia and Baltimore.

The officers of the conference consist of a chairman, a vice-chairman and a secretary-treasurer.

The present incumbents of these offices are:

Chairman, F. C. White, New York Underwriters Agency.

Vice-Chairman, C. A. Trowbridge, Underwriters at American Lloyds.

Secretary-Treasurer, J. C. Borden, Aetna Accident and Liability Co., Hartford, Conn.

No compensation is received by any officer or member and assessments and disbursements are nominal.

Affiliations and Competition

The Sprinkler Leakage Conference is not affiliated in any way with any other organization and meets in competition only the factory mutuals writing combined fire and sprinkler leakage insurance.

The position of the conference in relation to the factory mutuals is expressed in the following resolution, passed at a meeting held on April 2, 1912:

"Whereas, There are certain risks in which members of this Conference have no common interest, meaning those of which mutual companies write combination fire and sprinkler leakage policies; therefore, be it

"Resolved, That in the event of a member desiring to write a risk which he believes to be of this class, he may do so without reference to rates or rules that would otherwise apply, but shall submit to the conference at the earliest possible opportunity a description of the risk, including name of assured and location. In the event of failure of the conference to approve this action, any company shall withdraw any quotation made under the above conditions."

In competition with the factory mutuals the companies, members of the conference, issue, in connection with their fire coverage, sprinkler leakage coverage at a merely nominal premium.

Territory

The original territory as covered by the conference has been extended and at present includes the states of Maine, Vermont, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania, Maryland, Delaware, Virginia, North Carolina, South Carolina, Georgia, Florida and Alabama and the District of Columbia.

Rates

All rates are based on a ten per cent. co-insurance and are computed in accordance with the schedule adopted by the Conference in connection with a system of relative hazard of sprinkler leakage risks. This schedule is not founded on the experience of all the members of the Conference, but is based on the opinion of the members of the rate committee as to what are or should be proper rates.

All rates are individual and are computed on a base rate of 10 cents per \$100, and this base rate is increased in accordance with the conditions disclosed by the inspection, reports or surveys.

All rates as stated above are based on a ten per cent. co-insurance basis; for other than ten per cent. the following schedule is used:

1% clause. Increase rate.....	100%
2½% clause. Increase rate.....	75%
5% clause. Increase rate.....	50%
7½% clause. Increase rate.....	25%
15% clause. Decrease rate.....	10%
20% clause. Decrease rate.....	25%
30% clause. Decrease rate.....	40%

Policies will not be issued for less than the following minimum premiums:

One year	\$10 00
Two years	17 50
Three years	25 00
Four years	32 50
Five years	40 00

No policy to be issued for a term longer than five years.

Term rates are 75 per cent. of the annual premium for each year after the first year.

Each company, member of the Conference, is furnished with one or more copies of each rate published. The estimates on which rates are based are confidential and are furnished to the insured or his duly authorized agent or broker only upon written request. In case a review of the rate is requested, in writing, by the insured or his duly authorized agent or broker, the Chief Inspector reviews the rate as to building conditions.

On classification the matter is referred to the arbitration committee.

No service is rendered the insured by the Conference. In the event that a revision of rate is requested, the interested company, member of the Conference, may suggest improvements to lower rate, but such improvements would not increase the fire risk.

Commission and Brokerage

The Conference has adopted the following schedule of commissions and brokerage:

Brokerage not to exceed 15 per cent.

Commission to agents not to exceed 20 per cent.

Commission to general agents not to exceed 25 per cent.

A maximum commission of 25 per cent. may be paid to agents in the cities of Baltimore, Boston, Buffalo, Haverhill, Lynn, Philadelphia, Pittsburgh, Providence and Albany.

Inspections, Surveys and Reports

When a request for a rate is received it is numbered and an inspection of the risk is made by the Chief Inspector of the Conference, if such inspection is possible; if such personal inspection is impossible, recourse is had to the reports and surveys of the N. Y. Underwriters Agency and also to the records of the companies, members of the Conference.

While no agreement as to the use of the reports and surveys exists between the Conference and its members, a tacit understanding as to their use seems to exist.

Policy Form

Previous to July 1, 1913, each company had its own policy form, differing but slightly as to terms. On July 1, 1913, a standard form of policy blank was placed in use by all the companies, members of the Conference. A copy of this form is filed with this report.

This policy covers all direct loss or damage by sprinkler leakage, the term sprinkler leakage to be held to mean leakage, discharge or precipitation of water from the automatic sprinkler system, or tank supplying it (including accident caused by

freezing), in or on the buildings, "whether the accident occurs in the portion occupied by the insured or not."

The policy does not cover "loss by fire," "nor for loss resulting from the leakage of water, if such leakage is caused directly or indirectly by fire," "nor for loss caused directly or indirectly by the fall or collapse of any building or part thereof, unless such fall or collapse is caused by the accidental leakage of water from the automatic sprinkler system, or the tanks supplying it."

The coverage of the factory mutuals is as follows:

"In consideration of the maintenance of an automatic sprinkler system for the prevention of loss by fire upon the property insured by Policy No. of the Mutual Insurance Co. of

"The said company does also insure the party thereby assured against all loss or damage that may occur from the accidental leakage of the said sprinkler system upon the property insured against fire by the policy above mentioned while the said policy continues in force and no longer, but this policy does not cover damage to a reservoir, tank, pipe or other apparatus, by whose failure the leak is caused."

Legal Liability Coverage

Legal liability policies, covering the legal liability of warehousemen, landlords, agents and tenants, are issued at double the 10 per cent. co-insurance rates as applied to buildings without co-insurance.

Statistics

As the Conference does not collect statistics of any kind, it was necessary for the department to obtain statistics as to premiums and losses from the members of the Conference. The premiums and losses of the casualty companies, members of the Conference, were obtained from the annual statements submitted by them, and from the fire and marine companies by means of a letter addressed to each company, member of the Conference.

In furnishing figures, only a few of the fire and marine companies adhered to the form desired as regards business transacted in the state of New York. The table prepared, therefore, contains only such statistics as were available.

These statistics will be found in an attached exhibit.

The loss ratio of the Factory Mutuals writing sprinkler leakage in connection with their fire coverage, covering a long period of years, has been one-tenth of one per cent. of the fire premiums.

Membership December 31, 1913

The following companies constitute the membership of the Sprinkler Leakage Conference:

Aetna Accident and Liability Co.
Citizens Insurance Co. of Missouri.
Commonwealth Insurance Co.
Continental Fire Insurance Co.
Fidelity-Phenix Fire Insurance Co.
Home Insurance Co.
Hartford Fire Insurance Co.
Liverpool and London and Globe Insurance Co.
Maryland Casualty Co.
New York Underwriters' Agency.
North British and Mercantile Insurance Co., London and Edinburgh.
Phoenix Assurance Co.
Queen Insurance Co.
Royal Insurance Co.
Rhode Island Insurance Co.
Springfield Fire and Marine Insurance Co.
Underwriters at American Lloyds.
United States Casualty Co.

STATISTICS

The following table indicates the premiums received, the losses paid and the ratio of losses paid to premiums earned, compiled from figures as furnished by four casualty and twelve fire and marine companies.

YEAR	FIRE AND MARINE COMPANIES		Ratio of losses paid to earned premiums	CASUALTY COMPANIES		Ratio of losses paid to earned premiums	TOTALS		Ratio of losses paid to earned premiums
	Premiums	Losses		Premiums	Losses		Premiums	Losses	
1903.....	\$451 56	\$174 55	.....	\$798 76	\$166 72	.....	\$1,250 32	\$341 27	.....
1904.....	498 80	198 71	.....	871 90	132 68	.....	1,370 70	351 39	.....
1905.....	344 05	75 14	.....	991 98	365 10	.....	1,536 01	440 24	.....
1906.....	593 06	67 31	.....	1,197 51	308 26	.....	1,780 57	373 57	.....
1907.....	666 27	214 22	.....	1,584 40	272 16	.....	2,250 67	486 38	.....
Estimated unearned premiums.....	\$2,753 74	.....	.....	\$5,444 55	.....	.....	\$8,198 29	.....	.....
	107 36	.....	.....	392 82	.....	.....	500 18	.....	.....
	\$2,646 38	\$729 93	27.6%	\$5,051 73	\$1,264 92	25.0%	\$7,698 11	\$1,994 85	25.9%
1908.....	\$707 18	\$185 84	.....	\$1,432 30	\$385 93	.....	\$2,199 48	\$571 77	.....
1909.....	832 75	164 84	.....	1,906 44	324 93	.....	2,739 69	489 77	.....
1910.....	1,865 78	309 02	.....	1,733 54	560 95	.....	3,629 97	869 97	.....
1911.....	2,222 53	613 16	.....	1,398 36	633 33	.....	3,620 89	1,246 49	.....
1912.....	3,347 54	1,985 27	.....	1,112 58	532 05	.....	4,460 12	2,517 32	.....
Estimated unearned premiums.....	\$9,065 78	.....	.....	\$7,583 72	.....	.....	\$16,649 50	.....	.....
	1,340 63	.....	.....	235 91	.....	.....	1,104 72	.....	.....
	\$7,725 15	\$3,258 13	42.2%	\$7,819 63	\$2,437 19	31.2%	\$15,544 78	\$5,695 32	36.6%
Grand total.....	\$10,371 53	\$3,988 00	38.5%	\$12,871 36	\$3,702 11	28.8%	\$23,242 89	\$7,690 17	32.1%

THE FOLLOWING TABLE SHOWS THE EXPERIENCE OF THIRTEEN COMPANIES IN THE STATE OF NEW YORK FOR THE YEARS 1903 TO 1912, INC.:

YEARS	FIRE AND MARINE COMPANIES		CASUALTY COMPANIES		TOTALS	
	Premiums	Losses	Premiums	Losses	Premiums	Losses
1908 to 1912.....	\$803 43	\$158 94	\$2,846 99	\$950 48	\$3,710 42	\$1,109 42

TOWNER RATING BUREAU

NEW YORK, N. Y.

Examined as to methods and manner of operation covering period from October 1, 1909 to December 31, 1913.

Report dated May 6, 1914.

Examiner: Leon S. Senior.

HISTORY

The Bureau was started October 1, 1909, by Mr. R. H. Towner, the Towner Rating Bureau being the name adopted for the conduct of the business. The Bureau is not a co-partnership, association or corporation, and has no constitution nor by-laws.

From April, 1896, to October, 1909, Mr. Towner was in the employ of the American Surety Company, acting in the capacity of underwriter in various departments.

About a year before the organization of the Bureau, the executive officers of most of the large surety companies organized what is known as the Surety Association of America, and the association appointed a so-called "Advisory Committee," consisting of the executive officers of five companies. The purpose of this Advisory Committee was to advise and confer with Mr. Towner in regard to the classification of risks and the making of rates. Meetings of this committee were called at intervals by Mr. Towner. They were generally of an informal character and, with the exception of the first meeting in December, 1909, no minutes were taken. Meetings were discontinued altogether in the early part of 1912, it having been demonstrated that the companies themselves were not satisfied with the work of the committee and refused to abide by its decisions.

Prior to the organization of the Advisory Committee, and about June, 1908, there was inaugurated a series of meetings of heads of departments, for the purpose of comparing experiences and blocking out approximate standards of rates, but with no agreement or understanding that such rates should be adhered to by the companies. The rates formulated at these meetings were the basis of many of the now existing rates in the Towner Manual.

The Bureau enters into a written subscription contract with its

subscribers, covering a period of five years. The fees charged vary according to the premium earnings of the subscriber, with a minimum charge of \$200 per annum.

The service contracted for is the furnishing of premium rates on fidelity and surety bonds and undertakings.

As will be observed by a reading of the contract itself, there is an absence of any provision binding a subscriber to adhere to Bureau rates. Nevertheless, it seems to be clear that subscribers are expected to maintain Bureau rates, otherwise the Bureau service will be discontinued. This is evidenced by a letter written by the Bureau to the Equitable Casualty & Bank Depositors Guarantee Company of Columbus, Ohio, under date of October 2, 1912.

The following is a list of Bureau subscribers which are transacting business in New York State:

Aetna Accident & Liability Company,
American Surety Company,
Employers Liability Assurance Corporation,
Equitable Surety Company,
Fidelity & Casualty Company,
Fidelity & Deposit Company,
Globe Indemnity Company,
Illinois Surety Company,
London & Lancashire Guarantee & Accident Co.,
Maryland Casualty Co.,
Massachusetts Bonding & Insurance Co.,
National Surety Company,
New England Casualty Co.,
Royal Indemnity Company,
Southern Surety Company,
Southwestern Surety Insurance Company,
United States Fidelity & Guaranty Co.

RATE MANUALS

The Bureau issues two manuals in which rates are published. It also maintains a bulletin service, by means of which the subscribers are advised simultaneously as to any changes in existing rates and the promulgation of new ones.

One of the manuals contain the rates on "Fidelity and Surety Bonds and Undertakings" generally, and is applicable to all the states of the Union excepting Texas. A copy of this manual is

furnished to all subscribers alike. The other manual contains rates on "Public Officials Bonds in the United States" (Texas excepted), classified by states. Subscribers are furnished with only such portions of this latter manual as cover the states wherein they are entered for the transaction of business.

MANUAL CLASSIFICATIONS

The "Fidelity and Surety Bonds and Undertakings" manual is subdivided as follows: Fidelity, Judicial, Contract, Depository, License and Permit, Notary Public, Federal, Railroad and Steamship.

Fidelity:

The fidelity rates are subdivided into "General Fidelity Rates" and "Classified Fidelity Rates," the "General" rates being applicable only to bonds not included in the classified list.

Premiums are computed on the penalty of the bond. The "General" fidelity rate varies on individual bonds from fifty cents to one dollar per hundred dollars of the penalty, usually with a minimum of from five to ten dollars.

Schedule rates are promulgated on "General" fidelity bonds, as shown by the following quotation from page 3 of the manual:

"Schedule rates are based upon aggregate volume of corporate suretyship of \$10,000 or more on three or more officers or employees for the same employer; to be evidenced by a letter or other writing from the employer, stating the number and amount of bonds in force. When thus established, the schedule rate is applicable to any part of such employer's business, whether one bond or more, and whether carried on individual bonds or on a schedule bond. Where the schedule rate for an employer's aggregate liability exceeds the fidelity rate on an individual bond, included in such schedule, the lower rate may be quoted for such individual bond; but such bond shall be included in computing the employer's aggregate liability in force for the purpose of fixing schedule rate.

"Fidelity schedule rate applicable to all fidelity business except on classified list:

		Per \$100
\$10,000 up to but not including	\$50,000.....	50 cents
50,000 up to but not including	100,000.....	40 cents
100,000 up to but not including	500,000.....	30 cents
500,000 up to but not including	2,000,000.....	25 cents

"For rates on fidelity schedules of two million dollars and upwards, apply to the home office."

Attention is directed to the fact that in practical operation the schedule rates above quoted must of necessity result in unfair discriminations. For example, the premium on a bond schedule aggregating \$49,000, at the given rate of fifty cents per \$100 would be \$245, while the premium on a bond schedule aggregating \$60,000 at the given rate of 40 cents per \$100 would be only \$240. That is to say, the premium on a \$60,000 schedule would be \$5 less than the premium on a \$49,000 schedule. Likewise, the premium on a schedule aggregating \$499,000 at the quoted rate of 30 cents would be \$1,497, while the premium on a \$500,000 schedule would be only \$1,250 at the quoted rate of 25 cents. In other words, the premium on a \$500,000 schedule is \$247 less than the premium on a \$499,000 schedule.

On banks and insurance companies the rates for all employers are uniform, regardless of the size of the schedule. It is claimed that there is not sufficient difference in the character of bonded employees between a large bank or insurance company and a small bank or insurance company to justify the difference in the rate. It appears that all banks (except for extra hazardous forms of bonds required by special statute) receive the most favorable fidelity rate in the above table, namely, twenty-five cents. Insurance companies receive the next most favorable rate, namely, thirty cents.

Upon turning to page 20 of the manual, we find schedule rates applicable to fraternal and beneficiary orders, from which the following is quoted:

"\$300,000 to \$1,000,000	{ For the first \$300,000, \$600,000; each additional \$1,000 to \$1,000,000 — \$1.50."
"Over \$1,000,000	{ For the first \$1,000,000, \$1,650, plus \$1.00 per M for all additional fidelity suretyship."

From the foregoing, it is clear that the premium on the first \$300,000 of a million dollar schedule is \$600, and that for each additional thousand dollars the premium is \$1.50, which would make a total premium for a million dollar schedule of \$1,650; and this will be the actual premium charged if a schedule of a million dollars is insured by a single company; but if instead it be desired to split a schedule up among two or more companies,

different rates will result, according to the Bureau's interpretation, as evidenced by its correspondence.

For example, assume that Company A insures a fraternal schedule of \$300,000 for a premium of \$600.00; assume further, that said company desires to insure a schedule of \$700,000 additional, and that on this addition it is desired to have other surety companies compete for the business. The question here arises as to what the premium rate shall be for the \$700,000 addition. Obviously, Company A may quote a rate of \$1.50 per M, but not so Company B. The Bureau rule is that Company B must quote such a rate as would be the average if Company A insured the whole schedule, including the addition. The following by way of illustration:

Company A charges for the first \$300,000.....	\$600 00
And its rate for the additional \$700,000 would be \$1.50 per \$1,000, or	1,050 00
A total premium for \$1,000,000 of insurance of.....	<u>\$1,650 00</u>

This is equivalent to a rate of \$1.65 per \$1,000 and that is the rate that Company B must quote for the additional \$700,000.

As a result of this examination, the Bureau has promulgated to its subscribers a rule which it is believed will obviate all injustice and discrimination between surety companies participating in the same fraternal order's fidelity schedule. The rule is as follows:

"A fraternal order's fidelity rate is determined by computing the sliding scale on the entire corporate fidelity suretyship placed by one body, whether simultaneously or at different times. The rate thus ascertained applies equally to whatever part of the whole volume is placed at any time; — with such increase as the form of bond may require."

Under the above rule, the rate is determined by the fraternal order's total volume and the same identical rate is charged for any part of it which may be written by either surety company.

Under the classified fidelity rates, there are 82 classifications on each of which is quoted a separate rate. These vary from 15 cents per \$100 for Committee Members of Boards of Trade or Chamber of Commerce who are not authorized to sign checks, and

where at least two members are required to obtain access to securities, to \$2.50 per \$100 for agents and canvassers of sewing machine companies traveling from door to door. In most instances, there is a minimum premium charge, and this varies from \$1.00 to \$10.00.

In numerous classifications, lower rates are promulgated for schedule bonds than for individual bonds. For example, the individual rate for officers and employees of buildings and loan associations is \$1 per \$100, while on a schedule of over \$100,000, the rate is 50 cents per \$100; also, we find that the individual rate for grain receivers or payers (separate position) on bond covering shortage of cash or grain is \$2 per \$100, with a minimum premium of \$20, whereas the same position under schedule rate carries a premium of \$1 per \$100, with a minimum premium of \$10.

Judicial:

On all court bonds, the premium is computed on the penalty of the bond; except that if an undertaking without penalty is given, the premium is computed on the estimated liability to be ascertained by adding to the amount of the value of the property, or to the judgment or claim, or other matter in controversy, two years' interest at six per cent per annum and \$250 probable costs.

The general rule as to the court bonds which expire within the first year is that the annual premium is deemed to be fully earned, and no rebate therefrom is ever made. On court bonds extending over one year, an annual renewal premium is charged at the same rate as the first premium; when the bond is cancelled, pro rata refund of unearned premium is made from renewal premiums only.

It is the general rule to require the giving of collateral security where court bonds are issued, unless the financial responsibility of the insured is well established. The premium charged is for the service rendered only, the presumption being that the surety will not be called upon to pay any loss.

As to fiduciaries' bonds extending over one year, the general rule is that an annual renewal premium shall be charged in the amount of two-thirds of the first premium; that on all such bonds

which have been renewed, pro rata refund of unearned premiums may be made from renewal premiums only when the bond is cancelled; that the first year's premium is deemed to be fully earned if the trust is fulfilled or the estate closed or taken from the custody of the courts.

Contract:

Contract bonds are classified as (a) construction; (b) supply; and (c) maintenance.

The basis for the computation of the premium on construction and supply bonds is the amount of the contract, the prevailing rate being one-half of one per cent per annum on the former and one-quarter of one per cent on the latter. With respect to construction bonds, if the bond is less than 10 per cent. of the contract price, the annual premium is limited to 5 per cent of the penalty of the bond. On maintenance bonds where no corporate surety has been required by the obligee for either supply or construction contract, the premium is computed on the penalty of the bond and the rate is usually one-half of one per cent.

On construction bonds, the first premium is deemed to be earned and no refund of premiums is made on bonds running up to one year or less; refund on second and subsequent years' renewals is made pro rata for the unexpired part of the year.

It is not deemed advisable to require collateral security in the giving of contract bonds, it being believed that the best interests of the contractor and of the surety company alike require that the contractor be unhampered in his business activities and allowed a free hand to use all his resources to the best advantage. One exception to this rule exists, however, namely, bonds for shipbuilders. In the case of shipbuilders, it is claimed that the safeguarding of the interests of the surety makes it exceedingly desirable that collateral security be taken in every instance where possible, for the reason that the building of a ship is a very large business undertaking, frequently involving millions of dollars, and if default be made by a contractor, there is probability of a large loss by the surety. Also, it is found to be not difficult to secure collateral on shipbuilding bonds, because this line of business is carried on principally by corporations of large financial resources,

and the hypothecating of collateral by them is not objectionable as in the case of the general contractor.

The rate for shipbuilding bonds is one-quarter of one per cent per annum on amount of contract up to \$1,000,000; for contracts over \$1,000,000, the rate is gradually diminished for each additional million.

If protected by cash collateral or its equivalent in full amount of the bond, the rate is reduced one-half.

Depository Bonds:

The premium rate on bonds given by banks, trust companies, savings banks or banking institutions guaranteeing the security or repayment of funds on deposit is \$5 per \$1,000 per annum on the amount of the bond.

The manual contains a provision that where the premium on a bond paid at the beginning of the year for the issuance or renewal of a bond proves at the end of the year to have been in excess of three-fourths of one per cent of the average daily balance covered by such bond throughout the year then passed, the surety company will refund such excess to the bank so that the retained premium for the year shall be reduced to three-fourths of one per cent of the average daily balance. There is a further provision in the manual to the effect that on deposits which do not bear interest there shall be no reduction of premium for average deposits or daily balances.

The reasons underlying this distinction seem to be shown in a letter which the Bureau wrote to the United States Fidelity & Guaranty Company, under date of January 13, 1911, wherein it is stated:

"I have your favor of January 12th concerning the adjustment of premiums on deposits which bear interest, no such adjustment being allowed on deposits which do not bear interest. Your letter states only one of the reasons why this distinction is made, namely, 'that a bank paying interest cannot afford to pay as much premium as a bank not paying interest.' The other and principal reason for the distinction is the fact that where a bank pays interest its depositor has a special reason constantly before him for keeping track of the amount of the bank's daily balance in his deposit account. Interest is paid by the bank on these daily balances. They are calculated by the depositor, and by the bank in order to determine how much the interest shall be. * * *

"Immediately you get a bank account which does not pay interest, you lose all accurate check by the depositor on the amount of its daily balances. I

want to enforce, if possible, the rule laid down by subdivision F, page 76, of the Towner Manual, that 'all checks, drafts and other collectible paper being taken at their face value as cash on the date of deposit.' Unless this rule is followed, banks will not pay us the premium commensurate with the amount of our risk on depository bonds. Because there is no doubt that depository bonds cover the collection of just such items from the date they are deposited with the bank for collection. Nevertheless, there is a strong tendency for the banks to credit these items only from the time they are collected and reported to the bank, not from the time they are deposited. Depositors who collect interest on their accounts will require banks, if possible, to calculate the interest on the apparent balances as soon as collectible paper is deposited. Where depositors do not collect interest on their account, banks will have their own way in entering up this paper several days after it is deposited."

It would seem that the Bureau in this instance has promulgated a rule which is unsound in principle and unjust in practice; also that the Bureau was mistaken when it wrote to its correspondent in the letter above quoted that "depositors who collect interest on their accounts will require banks, if possible, to calculate the interest on the apparent balances as soon as collectible paper is deposited." Inquiry from reliable sources has brought information to the effect that it is not the usual practice of banks to make any distinction between interest-bearing and non-interest-bearing accounts in the matter of crediting accounts with collectible paper; that in both instances, it is the practice to credit the depositor as of the date of the deposit and not the date of collection; but that in the case of interest-bearing accounts, the date of collection is the date used in computing the interest.

As a result of this examination, the Bureau has issued a bulletin effective as of January 1, 1914, removing this discrimination and providing for adjustment of premium at the end of the year for non-interest paying banks as well as interest paying, on the basis of average daily balances; also reducing the premium from three-quarters of one per cent of average daily balance to one-half of one per cent.

License and Permit Bonds:

On bonds of this class, which are required by states, counties, cities, towns, villages and other municipalities, for auctioneers, chauffeurs, plumbers, etc., the general premium rate, unless specifically rated, is \$5 per \$1,000 per annum on the penalty of the bond. General rules as to these bonds are (a) the minimum earned pre-

miums for a year or any part of a year is \$5; (b) if a license or permit bond expires within six months of its date and is followed by another bond of the same character to the same applicant, the unearned premium is calculated pro rata for the unexpired term and applied to the premium on the new bond.

The requirements as to these bonds differ widely in the several states and municipalities, and, of course, likewise the premiums charged. For example, in Fort Smith, Ark., a registered electrician is required to give bond for \$500, for which the premium is \$10 per annum. In Kansas City, Kansas, electrician's license bonds are quoted at \$2.50 per \$1,000 per annum.

Federal Bonds:

There has been a good deal of controversy between the Bureau and the Treasury Department regarding surety rates. In the year 1909, a federal law was enacted, providing that no bond should be accepted from any surety company for any officer or employee of the United States which cost more than 35 per cent in excess of the rate of premium charged for a like bond in 1908. The words "a like bond" seem to have been the bone of contention. An opinion was received from the Attorney-General which seemed to justify either one of two interpretations, viz: (a) The charge for any bond should not be more than 35 per cent above the rate paid in 1908 upon any bond belonging to the same general class; (b) the charge for any bond should not be more than 35 per cent above the rate paid in 1908 upon any bond of the incumbent of the same office.

As to certain bonds under the jurisdiction of the Treasury Department, the latter interpretation was adopted, while all other federal departments adopted the former interpretation.

It should be said, however, that the rates now promulgated by the Bureau are lower in most cases than would be required under either of these rules. For example, the 1908 rate for Superintendent of Construction of Public Buildings in the Treasury Department—one of the classifications in controversy—varied from \$1.18 to \$3 among the various companies, the average being \$1.82. The present manual rate is \$1. In fact, the rate on a large number of federal classifications, not only in the Treasury

Department, but in other governmental departments is now \$1 per \$1,000 per annum, although there are many cases where it runs higher. For instance, the rate on Navy Mail Clerks and Assistant Navy Mail Clerks is \$5; and for clerks, deputy clerks, marshals and deputy marshals in United States courts, the rate is also \$5. There are other rates for intermediate amounts and a few as low as fifty cents — letter carriers, for example.

On internal revenue bonds, there is a wide spread in rates from twenty-five cents per \$1,000 per annum to \$5, the former being quoted on "Distillers' Denaturing Warehouse Bond," and the latter on "Leaseholders (distillers bond)."

It may not be amiss to mention the fact that a bill is now before Congress, making provision for the creation of a "Fidelity Fund" in the Treasury Department, for the purpose of bonding officers and employees of the federal government. If this bill should be enacted into law, it will, of course, take away considerable business from surety companies. The Towner Bureau is actively opposing its passage.

Railroad and Steamship:

Prior to April, 1913, the Bureau did not promulgate rates for railroad and steamship lines, except in rare instances. It was the general practice of bureau companies to write these bonds at whatever rates they desired and to file with the Bureau a list of such bonds written and the premiums charged. When the date of expiration approached, the surety company was expected to file with the Bureau the rates which it purposed to bid for renewal. Then in case another company also desired to bid for such renewal, it was expected that such other company would ask the Bureau to inform it what rate the then carrying company had filed for renewal, and such other company would also be expected to bid the same rate.

This line of business was handled almost exclusively by three or four of the large companies, and while the Bureau usually succeeded in getting the companies to file their rates, it was found difficult to induce them to file the dates of expirations, which was necessary in order to enable other companies to present their bids at opportune times. Dissatisfaction among the companies arose,

and in April, 1913, the work of promulgating these rates was also taken up by the Bureau.

The Bureau has divided railroads into two classes, viz.: Class "A," which includes roads having a mileage of less than 500 miles; and Class "B," which includes all others. As a general rule, lower rates are quoted on the larger roads. The Bureau's explanation of this discrimination is that the small roads are commonly not so well managed as the larger ones; that their systems of accounting are not so good; that accounts of employees are not subject to such frequent and careful audits and examinations, and that in the smaller roads there is a tendency towards centralization of authority, or one-man control.

The *Manual of Public Official Bonds in the United States* contains quotations classified by states on bonds for public officers of states, counties, towns, townships, cities, villages and other municipalities, school districts, drainage and irrigation districts, road districts and other political subdivisions of states or counties.

All rates are annual and computed on the penalty of the bond. The rate generally prevailing is from \$2.50 to \$5 per \$1,000 per annum.

Where bonds have an annual and not a term premium, the earned premium for periods less than one year is computed pro rata, subject to certain minimum charges, usually \$2.50 per bond. This rule does not apply to tax collector's bonds, on which no refund is allowed.

Where premiums are paid by public appropriation, and only the pro rata proportion of short term premiums can be approved and paid, it is accepted.

Bonds to indemnify personal sureties on the official bonds of state, county, town, city or other public officers are sometimes given. A graduated rate scale is used in cases of this kind, the amount of the premium on the indemnifying bond being based on the proportion of the indemnifying bond to the official bond, the rate gradually increasing as the proportion of the indemnifying bond to the official bond decreases. For example, if the indemnifying bond be for one-half of the amount of the official bond, the annual rate per \$1,000 for the indemnifying bond is \$5; if the indemnifying bond be for one-fourth of the amount of the official

bond, the rate is \$7; if the indemnifying bond be for one-seventh the amount of the official bond, the rate is \$10, etc.

The Bureau quotes rates applicable to every state in the Union except Texas; that state being excepted on account of its anti-trust laws.

This has given rise to a good deal of trouble because it has developed that companies have written bonds in Texas for a much less premium than in adjoining states. The Bureau met this situation by promulgating bulletin No. 434, which reads in part as follows:

"All fidelity rates are based on the experience of the whole fidelity line carried by parent, subsidiary or controlled companies.

"If a reduced rate is quoted for any part of a line in any State, foreign country, or other territory where the manual rates do not apply, a proportionate increase is made for the remainder, so that on the entire line the manual rate may be obtained.

"The same rule shall apply to all court, contract and street-paving bonds covering interstate business embraced in a general contract."

The plain meaning of this bulletin is that if a company does cut Bureau rates in Texas, it shall make a corresponding increase elsewhere. While it does not in specific terms prohibit rate-cutting in Texas, nevertheless it probably does so in effect, since no company would find it feasible to collect premiums in excess of Bureau rates outside of Texas.

PRINCIPLES OF RATE-MAKING

It has been the aim in this examination to ascertain what basis, if any, is used by the Towner Rating Bureau in the making of its rates. There appears to be very little statistical experience available for this purpose, although the Bureau has, from time to time, endeavored to persuade its members to furnish it with their tabulated experience. It is claimed by the Bureau manager, however, that even if such statistics were available they would be of doubtful value on many of the bonds on account of changes in form which are frequently being made in compliance with legislative and other requirements. It is asserted that surety rates must of necessity be largely predicated on the judgment of the rate-maker, and that practically all of the Towner rates are the product of Mr. Towner's personal judgment.

As to Surety bonds, it is claimed that the premium charged is not an insurance premium in the generally accepted meaning of that term in other lines of insurance; that it is not intended primarily to cover losses because the surety company always looks to its principal for indemnity in case of loss; that the premium on surety bonds is intended to be what may be termed a service charge, that is, a charge sufficient to compensate the company for the service rendered in furnishing the bond.

As to Fidelity bonds, a different situation exists, and in this case the premiums charged are primarily intended to cover losses. In explanation of this differentiation it should be stated that fidelity bonds are commonly written without regard to the financial standing of the principal, because in the event of a breach of the bond the fact that the principal may be required to serve a prison sentence is expected to act as a deterrent. No such condition as this obtains with respect to surety bonds, hence applicants are required to show satisfactory financial responsibility or furnish collateral security.

INFLUENCE OF BUREAU COMPANIES

The following extracts from correspondence are quoted because they show the effect of the influence of the Bureau companies on the making of Bureau rates.

Under date of July 6, 1912, the Bureau wrote to the Title Guaranty & Surety Co. of Scranton, Pa., in part as follows:

"In Louisiana, therefore, you will observe that this year less than one-third of the insurance company bonds were written at \$5 a thousand. This was the first serious inroad into the business of my subscribers on these bonds. I put the question to them last March while the bonds were being written and they voted to stick to the old rate."

Under date of January 25, 1912, the Bureau wrote to the National Surety Co. in part as follows:

"I want to say for the Towner Rating Bureau that my previous experience in the American Surety Company had not included the underwriting of fraternal and beneficiary orders, and I was very little informed as to the necessary rates and requirements of that branch of the surety business. This was well known and when I undertook the modification which resulted in the rate schedule of May 12, 1911, I frankly and frequently told the four men with whom I consulted that I wished the whole matter left to their judgment and that the Towner Rating Bureau would promulgate any schedule that they

agreed upon. The changes in the former schedule were not made upon my initiative and the character or extent of those changes was not dictated or determined by me. I simply brought together the men who had had the most experience in the fraternal business and asked them to agree as to the rates that would be adequate and necessary. When they had agreed upon those rates, I put them in the manual. * * *

Under date of April 3, 1911, the Bureau wrote to the United States Fidelity & Guaranty Co. as follows:

"I have your favor of March 31. I entirely agree with you that the rate on road contract bonds in this State ought to be \$5 per M per annum on the amount of the contract. When the time came around in January of this year that new contracts were to be let, the Fidelity & Casualty Co. had not yet joined the Surety Association of America. I went over to see Mr. Lunt of that company to ascertain whether he was tied up with existing arrangements with the Association of Good Roads Contractors of this State made under Mr. Seward's presidency. Mr. Lunt stated that he considered that arrangement still binding on the company. Accordingly I put out bulletin 270 of this Rating Bureau, dated December 22, 1910, making a rate of \$5 per M per annum on the amount of the bond.

"After the election of the Fidelity & Casualty Co. to membership in the Surety Association of America, there was a meeting, at which Mr. Lunt and President Hillas of that company were both present, and I again spoke to them on that situation. Mr. Hillas and Mr. Lunt then told me that they were still bound by the arrangement made under Mr. Seward's presidency a year ago, which arrangement would cover State highway construction contracts to be let in this State during the month of March. * * * It seems necessary, accordingly to continue this rate in order to give my other subscribers an opportunity to bid for these bonds on an even basis with the Fidelity & Casualty Co. Subsequently, during the week while I was in St. Louis and Kansas City, there was a meeting, at which I understand a quorum of the Advisory Committee was present, and that committee authorized bulletin 311 of this Rating Bureau, dated March 20, 1911. This bulletin went out during my absence from the office, but with the authority of the Rating Bureau, on the advice of the Advisory Committee. This is the situation as it stands to-day. I shall take the first opportunity when it appears that the Fidelity & Casualty Company's arrangements with these good roads contracts have been fulfilled, to restore the rate on these bonds to what I consider a proper rate."

The manual rate at the time the above letter was written was \$5 per \$1,000 per annum on the amount of the bond. On January 15, 1913, the rate was changed by bulletin 599 to \$5 per \$1,000 per annum on the amount of the contract.

Influence of Local Organizations:

The conclusion seems warranted that the Bureau is, to a very large degree, influenced by the views and desires of local organi-

zations of surety agents and underwriters in the making of rates for local bonds; and also by a consideration of the question of what rate it is possible to obtain. Rates in these cases are largely dependent upon local conditions and frequent consultation with local surety underwriters is defended on the ground that it is necessary in order to familiarize the Bureau with these conditions.

In support of these statements the following quotations are submitted:

Under date of March 17, 1911, the Bureau wrote to the United States Fidelity & Guaranty Company, in part, as follows:

"I have your favor of March 16, enclosing copy of a letter from your agent at Louisville, Ky., dated March 11, stating that the Kentucky Surety Association has agreed to reduce the minimum on smoke inspectors of the city of Louisville to \$10.00, and calling on me to promulgate a bulletin of this reduction. I have sent the bulletin out to-day, as it seems to me necessary to do. I would call your attention again to the fact that changes of this character, adopted piecemeal, are unnecessarily troublesome and expensive."

Under date of April 15, 1912, the Bureau wrote to the Globe Surety Company of Kansas City, Mo., in part as follows:

"I have your favor of April 11, concerning Bulletin 513, making rate for excise bonds in Nebraska. The bulletin was in accordance with recommendations sent on to me from Omaha, Neb., signed by the general agents of seven companies. Also, Mr. Westcott, of the American Surety came on from Missouri and stated that in view of the situation there the companies thought it vitally necessary that the \$75.00 rate be made."

Bureau Bulletin 513 above referred to quoted retail liquor dealers excise bonds of \$5,000 in Nebraska at \$75, superseding Bulletin 493, which quoted same bonds at \$150.

Under date of April 12, 1912, the Bureau wrote to the Maryland Casualty Co., referring to License and Permit Bonds in Wheeling, W. Va., in part as follows:

"Nothing in these regulations creates any extra or unusual hazard on these bonds, and in rating them we can afford to go as low as is necessary to obtain the business. The question practically is, what the contractors and plumbers in Wheeling will be willing to pay for the bonds."

The following is an extract from a letter written by the Bureau to the American Bonding Co. under date of September 1, 1911:

"I have your favor of yesterday. I have quit waiting for a copy of these bonds and have put out a bulletin to-day naming a rate of \$15 for the \$5,000 bond. I have had to do this because it appears that that rate was made by

the local association in Kansas City. This whole business has been done without my getting a copy of the bond from anybody, and I find it apparently impossible to get a copy of the bond. Not one of the companies which have written me about the matter has taken the pains to send me a copy of the bond. Therefore, I do not know whether it includes blasting, as suggested in yours of Aug. 29, or not."

Under date of September 3, 1913, the Bureau wrote to the Globe Indemnity Company in part as follows:

"Commission merchants' bonds were rated by a committee before the Towner Rating Bureau was started, and on page 81 of the Towner Manual I printed the committee's rate of \$2.50 per M per annum (except Kansas City, Mo., where live stock commission merchants are \$2 per M per annum). Two or three years after the Rating Bureau was started there occurred a sudden flurry in Omaha, because a new subscriber (Equitable Surety Co.) had written commission merchants' bonds on the Omaha Grain Exchange at the manual rate of \$2.50 per M. At that time the Omaha Surety Agents telegraphed me, under date of Aug. 31, 1911, that the local association recommended a rate on the Omaha Grain Exchange bonds of one dollar per hundred per annum. This was the occasion of Bulletin 386, dated Sept. 1, 1911, making the rate of one per cent on these bonds. Subsequently I took the matter up by correspondence with the Omaha Association and pointed out to them that the bond of the Union Stock Yards was only \$2.50 per M per annum, which rate had been effective for a long time without any dissatisfaction or complaint. They have never requested a different rate on the Omaha Grain Exchange. * * *

"After long correspondence, without very much satisfaction, I got a letter from the Secretary of the Omaha Association, under date of Feb. 8, 1912, stating that the local association thought the rates should stand as they now appear in the rate manual. That leaves the rate of \$2.50 per annum applicable to the Live Stock Exchange and the Omaha Grain Exchange. * * *

Under date of March 8, 1912, the Bureau wrote to the Empire Surety Co. in part as follows:

"As for the charge that the U. S. Fidelity & Guaranty Co. have recently executed a bond for a receiver in bankruptcy at a charge of \$2 per M, I beg to say that they have not authority from this rating bureau to do so, and if it is true, complaint should be made to Mr. Stryker.

"If your St. Louis agent wants a reduction, let him canvass the local agents and send me a petition signed by them requesting it. The rate is already less than it is elsewhere in the U. S. and I am reluctant to reduce it further if it can be avoided."

INFLUENCE OF NON-BUREAU COMPETITION

An examination of the correspondence files of the Bureau seems to establish the fact that competition has a considerable influence upon the Bureau in the matter of fixing and promulgating premium rates. The following quotations are submitted, viz.:

Under date of July 15, 1911, the Bureau wrote to the U. S. Fidelity & Guaranty Company of Baltimore, Md., in part as follows:

"I have yours of the 13th instant concerning rates for the above road, and note your statement that an outside company appears to be carrying this road at 37½ cents. In order that you may successfully compete for this line you may quote 35 cents per \$100 per annum, with a minimum of \$2 for the fidelity bonds and regular manual rates for the other classes of business.

"For your information on this business, I beg to state that the Title Guaranty & Surety Co. carried this schedule on their own form of bond for three years at the 50-cent rate but their experience was 'decidedly unprofitable.' In view of this I feel constrained to name a higher rate than 35 cents, but fail to do so on account of the 37½ cent rate obtained by an outside company."

Under date of May 24, 1913, the Bureau wrote to the American Fidelity Co., Montpelier, Vt., as follows:

"I enclose herewith a bulletin which I have transmitted to all subscribers to reach them Monday morning, May 26, when you will receive this letter. You will notice that it reduces the rate for commission merchant bonds in New York State to \$4 per thousand per annum. In explanation I have to say that I have indubitable information that this rate has been established by some companies which are not subscribers to this rating bureau. I took the pains to secure, so far as possible, the co-operation of all concerned, including non-subscribers, in establishing the \$5 a thousand rate on these bonds. I thought I had been successful in this, but the event proves otherwise. Accordingly I have met the situation as I found it."

On June 16, 1911, the Bureau wrote to the American Bonding Co., Baltimore, Md., in part as follows:

"The rate of 25 cents which I gave in Bulletin 353 was based principally on the fact that experience has shown that it is so difficult as to be practically impossible to get a higher rate on these men who do not handle money, no matter what their other duties are. In fact, in one notable instance we were driven to a much lower rate. On the grain weighers and inspectors who are bonded to the State Railroad & Warehouse Commission of Minnesota, we had a long controversy with the Commission, which ended finally in our being forced to accept a rate of one dollar per M per annum on these bonds, and that is now given in the Towner Manual, at page 86. Elsewhere the rate is \$2.50 per M."

Extract from letter of May 11, 1910, from Bureau to National Surety Co., New York City, viz.:

"The correct rate for commission merchant bonds to the State Railroad & Warehouse Commission of Minnesota is \$5 per M per annum, as given on page 95. The same rate prevails elsewhere (manual, page 81). These are hazardous

bonds wherein the surety guarantees that commission merchants will account for and pay over to the consignors the proceeds of all farm products, etc., sent to the commission merchants. These consignors are at a distance and rely upon the bond for their guaranty and the rate is certainly not too high."

On May 5, 1913, Fitzhugh Burns, President of the Surety Underwriters' Association, wired to the Bureau as follows:

"Surety Underwriters' Association of Minnesota passed a resolution requesting the \$4 rate on commission merchant bonds to State of Minnesota to meet rate promulgated by American Fidelity of Montpelier. Minimum \$8. Extremely important as new bonds must be written for all commission men and when once written no substitute surety will be accepted. Request immediate action. Copy of resolution will follow."

On May 6, 1913, the Towner Rating Bureau wired Mr. Towner, who was at that time at French Lick Springs, Indiana, as follows:

"Surety Underwriters Minnesota passed resolution \$4 rate commission merchants bonds to railroad commission, minimum \$8. Meet rate American Fidelity Company. Bonds being given. Telegrams from Burns and Adams, Minneapolis, urge immediate action. If bulletin, reach companies when?"

Upon the same day, May 6, 1913, Mr. Towner wired B. B. Bailey of the American Fidelity Company, Montpelier, Vt., as follows:

"Please maintain rate \$5 per M commission merchants bonds Minnesota. This has been undisturbed for years. Answer."

The American Fidelity Company replied on same day as follows:

"Regret cannot comply with your request commission merchants' bonds Minnesota."

Whereupon Mr. Towner wired the Bureau on same day as follows:

"Wire all subscribers doing business in Minnesota day message May 7 as follows: 'Rate commission merchants' Minnesota \$4 per M. Effective immediately. Minnesota only.'"

And on May 22, 1913, a bulletin was issued promulgating the four dollar rate on such bonds for the State of Minnesota.

Also, in the case of plumbers' bonds in Greater New York, the Bureau promulgated the rate of \$3 per M per annum for the first borough, and \$2 for each additional borough for the same

applicant. Upon receipt of information that the Casualty Company of America (a non-bureau company) had quoted a rate of \$2 per M per annum, the Bureau issued a bulletin promulgating the same rate.

INFLUENCE OF LEGISLATION

Under date of August 4, 1911, the Bureau wrote to the Massachusetts Bonding & Insurance Company, as follows:

"On my return to this office from the West I have read your favor of July 21. I do not approve the 25 cent rate in Wisconsin any more than you do, but I have put it out because the only pending public bonds at this time are the bonds of certain positions created by the last legislature where a distinct appropriation has been made and the companies were anxious to write these bonds for the amount of the appropriation, and the appropriation complies with a rate of one-fourth of one per cent per annum.

"I expect to bring this whole matter up for discussion at the meeting of the public official rating committee this fall. The principal officers on which the rate should be increased are sheriffs, constables, justices of the peace and treasurers. On treasurers, however, the rate is very little less than the Nebraska rate, at which the companies were anxious to write Nebraska county treasurers. My attempt to get more than the statutory rate of premium on public official bonds has almost always failed. In Wyoming the statutes authorize a rate of \$5 per M and I was practically forced to reduce the rate on constables and justices of the peace to that figure, because the companies could not collect from these officers individually any premium in excess of the amount authorized by statute to be paid by the county."

RESERVES

Bonds with Unlimited Claim Period:

In addition to undertakings running in favor of the United States government, the surety companies are now executing bonds wherein have been eliminated all restrictions as to time during which claims may be made for losses occurring during the period of protection covered by the bond. Notable instances of this kind are the statutory form of official bond now required in the Commonwealth of Massachusetts, and the special form known as the American Bankers' Association Standard Form of Fidelity Schedule, which latter form is now required by many banks that are members of that Association.

The present law makes no reserve provision for losses which may develop after a bond has expired, although liability may continue for many years. Manifestly some reserve ought to be carried to cover this contingency; and this view is supported in a

letter written by the Bureau to the State Insurance Department under date of February 24, 1914, in which, referring to premium rates for fidelity bonds, it is stated:

"On this class of bonds losses are so long deferred and so slow to mature that apparent profits may accrue for many years which will, when sufficient time has elapsed, be all paid out in meeting the unknown losses which have been hidden and accumulated during that time, * * *. The Rating Bureau, therefore, must take into account in its rates the element of concealed losses and the slow maturity of claims."

If concealed losses and slow maturing claims must be taken into account in making the premium rate, obviously those factors ought also to be considered in establishing reserves.

The difficulty of formulating a method of computing reserves on this class of bonds which shall be adequate and at the same time reasonable, is appreciated. Nevertheless, it is believed that some means should be found for safeguarding the solvency of companies issuing such bonds, and the following plan is therefore submitted.

After the expiration of the term for which the bond is written, charge a reserve as follows:

- 1st year, 42% of the earned premium.
- 2nd year, 35% of the earned premium.
- 3rd year, 28% of the earned premium.
- 4th year, 21% of the earned premium.
- 5th year, 14% of the earned premium.
- 6th year, 7% of the earned premium.

While it is recognized that this period of six years may possibly be too short in many cases, still, on the whole, and especially in view of the fact that the statutes of limitations in many states limit liability to a period of five or six years, it is believed to be sufficient.

Bonds with Clauses Limiting Period of Discovery:

The majority of Fidelity bonds contain what is known as a "cut-off" clause, i. e., a clause limiting the period of discovery of wrongdoing for which the surety may be held responsible to a stated period, usually six months or a year (but sometimes less than six months and sometimes more than a year), after a bond has expired; and in case the bond is renewed, limiting the liability to the renewal bond.

Here also is presented a situation where no reserve is required under the present law after the term for which the bond is written has expired. It is believed that some reserve provision ought to be made to cover the period between the "expiration" of the bond and the date when the "cut-off" clause becomes operative. It is suggested that it would not be unfair to require the setting aside of a reserve on bonds of this class of 25 per cent of the earned premium.

Cumulative Liability:

The 1913 session of the Wisconsin legislature passed an act requiring all officers of building and loan associations in that state to file a new bond annually, and also prescribing the form of bond to be used for such officers. This statutory form of bond does not contain any provision limiting the period of discovery of loss, and since the law specifically requires that a new bond be issued each year, it will impose a cumulative liability upon surety companies. For example, if a new bond for \$5,000 is given each year for a period of ten years, there will be a possible outstanding liability of \$50,000.

Attention is also directed to the case of the Alexander Campbell Milk Company of Brooklyn vs. The United States Fidelity & Guaranty Company, recently decided by the Appellate Division of the Supreme Court of New York, wherein it is held that there is a cumulative liability on surety bonds. The controversy arose over the sum to be paid by the surety company on account of the peculations of an employee of the milk company, a bond for \$2,500 having been issued and renewed yearly. These peculations dated back four or five years, and the court held that the surety company was liable for the amount taken each year, provided such amount did not exceed the amount of the bond, and awarded judgment for \$6,000. The case will probably be taken to a higher court.

In each of the cases above mentioned are presented interesting questions respecting reserves that surety companies ought to carry on account of bonds carrying cumulative liability. Obviously the unearned premium reserve is utterly inadequate. I am of the opinion that a percentage of the earned premium ought to be set aside as a reserve at the expiration of each policy term.

SURETY ASSOCIATION OF AMERICA

There appears to be a very close relationship existing between the Towner Rating Bureau and the Surety Association of America.

Under date of June 16, 1911, a subscriber (American Bonding Company) wrote to the Bureau in reference to a reduction of a premium charged by it below Towner rates in part as follows:

"We wish to bring this to the attention of your department so that we might not prejudice ourselves in the opinion of the other companies and make ourselves liable to reinsure the entire bond at the manual rate."

When Mr. Towner's attention was directed to this quotation he stated that some of the bureau companies had entered into a voluntary agreement or understanding with the Surety Association of America providing that in the event a company should charge a rate on a bond less than the Towner rate, such a company should be penalized by the Surety Association of America by requiring it to reinsure such bond at Towner rates.

The following is a copy of bulletins of the Surety Association of America found in the files of the Towner Rating Bureau:

"THE SURETY ASSOCIATION OF AMERICA,
80 MAIDEN LANE,

NEW YORK, Oct. 14, 1913.

Re AUGUSTUS W. BOMBERGER,

Cashier of U. S. Mint, Philadelphia.

To all Companies, Members of the Association:

Herewith enclosed please find my decision in the above case.

Yours truly,
(Signed) R. R. GILKEY, Secretary."

Attached to the original of the above copy is a sheet of which the following is a copy:

"THE SURETY ASSOCIATION OF AMERICA,
80 MAIDEN LANE, NEW YORK.

National Surety Company, Complainant,

vs.

United States Fidelity & Guaranty Co., Defendant.

AUGUSTUS W. BOMBERGER, Cashier,

U. S. Mint, Philadelphia, Pa.

This case arises upon the complaint of the National Surety Company against the U. S. Fidelity & Guaranty Co. The complaint alleges that the U. S. Fidelity & Guaranty Co. wrote the bonds of Augustus W. Bomberger, Cashier of the U. S. Mint at Philadelphia, Pa., in the sum of \$30,000, at the rate

of one dollar per thousand per annum, whereas said bond should have been written at the rate of \$1.35 per thousand per annum, which is the manual rate of the U. S. Fidelity & Guaranty Co.

The U. S. Fidelity & Guaranty Co., in its answer to the complaint, states that it has been bonding Mr. Bomberger since 1906 as cashier and clerk in the U. S. mint, and also has been carrying the bond of the cashier, Joseph M. Murphy, who was succeeded as cashier by Mr. Bomberger in December, 1912; that when Mr. Bomberger succeeded Mr. Murphy as cashier, as a matter of course he applied to the U. S. Fidelity & Guaranty Co. for his bond. The answer to the complaint is silent as to the rate of premium charged on the bond. I have therefore assumed that the allegation in the complaint is true.

There is no claim by the National Surety Co. that it would have secured the business if its rate had been the same as the company complained of. On the other hand, it is taken for granted that Mr. Bomberger, having been bonded by the U. S. F. & G. Co., would naturally favor that company with his bond. Reinsurance of the bond is asked for the reason that the U. S. F. & G. took the business below its manual rate. This fact established, it is only necessary to determine how the reinsurance shall be distributed. I do not believe it proper or equitable to make the award of the reinsurance to the complaining company, for the reason that it did not bid upon the business, and therefore it did not suffer any damage exclusive to itself. The damage was equal to all companies who might have written his bond and bid upon it at their manual rates. As there is nothing in the investigation of the case showing whether any other company or companies bid upon this bond, and if any such did bid the rates bid for the bond, I am of the opinion that equity requires that the bond be reinsured with all companies qualified to do business with the U. S. Government at the full manual rate of \$1.35 per thousand per annum, without any deductions for commissions or otherwise, and I so rule.

Dated, New York, N. Y., May 19, 1913."

[No signature.]

The following is an extract from a letter to the United States Fidelity & Guaranty Company, dated January 24, 1911:

"The function of this Bureau is to issue advisory rates to its subscribers, and I have no authority to authorize a departure from the rates given. However, in adjusting this premium to the amount of suretyship actually wanted, namely, \$10,000 in this district and \$10,000 in the Eastern District, I should think you could take what is fair. See Mr. Stryker."

NOTE.—Mr. Stryker was president of the Surety Association of America.

CONCLUSION

The main purpose of the Bureau seems to be the establishment of premium rates which shall be uniform and as far as possible at least adequate. I am unable to find that these rates are predicated upon any definite statistical data; in fact, there is a remarkable absence of such data from the files of the Bureau, and although

some efforts have been made to secure from subscribing companies figures showing their experience, they have for the most part been unsuccessful.

According to Mr. Towner, the rates promulgated are in every instance the product of his own individual judgment, often formed after correspondence or conference with well informed men in the surety business. On local bonds, rates have, in some instances, been influenced by competition of non-subscribing companies, or the expressed wishes of local organizations of surety managers.

Although not all subscribers to the Bureau are members of the Surety Association of America, nearly all of them are; and it appears that there exists an agreement or understanding between the members of the Surety Association of America to maintain Bureau rates or else suffer the penalty of reinsuring any business written at less than Bureau rates with other members of the Surety Association at Bureau rates.

I am of the opinion that the Bureau performs a work that is essential to the proper conduct of the surety business, since it is obvious that if each company were without any restraint in the making of rates competition would lead to promiscuous rate-cutting and consequent demoralization and probably in some cases to insolvency.

In my opinion subscribing companies ought to furnish to the Bureau as complete statistical tables of experience as possible, so that the Bureau might be able to predicate its rates on a scientifically sound basis. In making this suggestion I am not unmindful of the fact that many difficulties are to be met with in any attempt to base surety rates on mathematical formulae owing to the frequent and sometimes radical changes which are made in forms of bonds, and to the uncertainty of the ultimate liabilities to which surety companies are exposed.

These changes and uncertainties, of course, lessen, in a measure, the value of any statistical tables which represent the actual experience of the companies. Furthermore, the great diversity that exists in the underwriting methods of the various companies renders statistical information derived from experience of uncertain value. All such information, of course, must be subjected to critical analysis before it is accepted as a basis for rate making.

WORKMEN'S COMPENSATION SERVICE

NEW YORK, N. Y.

Examined as to methods and manner of operation covering period from date of organization to March 31, 1913.

Report dated July 30, 1913.

Examiner: Leon S. Senior.

HISTORY AND ORGANIZATION

On July 6, 1910, representatives of seventeen companies transacting employers' liability insurance in this State met for the purpose of discussing the effect of the Workmen's Compensation Law enacted that year by the New York Legislature. As a result of such meeting, two committees were appointed — (1) a committee of five attorneys, representing the same number of companies, to consider the constitutionality and scope of the law; and (2), a committee of seven underwriters, representing as many companies, to consider the question of rates to be charged under the Compensation Law; to promulgate a manual and establish rules as a basis for transacting compensation insurance.

Committee of Seven:

The committee of underwriters became known as "The Committee of Seven" and its authority was later extended to cover all matters relating to liability insurance in the United States. The committee devoted its attention to the classification of risks, the regulation of commissions and the construction of standard manual rates. The work involved became so large that on September 9, 1910, the committee recommended the formation of a bureau for the purpose of performing the service rendered to the companies by the committee of seven. At a meeting held on September 21, 1910, the companies approved the recommendation, appointed a committee of three to organize a bureau and such organization was perfected on December 6, 1910.

Formation of Bureau:

At a meeting held on that date, nineteen companies transacting liability insurance agreed to become members of the "Workmen's

Compensation Service and Information Bureau" and adopted a constitution for the government of its affairs. Various changes have taken place in the membership of the bureau since the date of its organization. Three companies composing the original membership of the bureau have retired from the business, four have withdrawn from the bureau and three of the present members entered the bureau subsequent to its organization.

Membership:

The following companies constitute the present membership of the bureau:

Ætna Accident and Liability.....	Hartford.
Ætna Life Insurance (Casualty Department).....	Hartford.
Casualty Company of America.....	New York.
Employers' Liability Assurance Corporation (U. S. Branch) .	Boston.
Fidelity and Casualty Company of New York.....	New York.
*Fidelity and Deposit of Maryland.....	Baltimore,
Frankfort General Insurance (U. S. Branch).....	New York.
*Globe Indemnity	New York.
*Guardian Casualty (Not admitted in N. Y.).....	Salt Lake City.
London Guarantee and Accident (U. S. Branch).....	Chicago.
Maryland Casualty	Baltimore.
New Amsterdam Casualty.....	New York.
Ocean Accident and Guarantee Corporation (U. S. Branch) .	New York.
Royal Indemnity	New York.
Standard Accident	Detroit.
Travelers Indemnity Co.....	Hartford.
Travelers Insurance Co. (Accident Department).....	Hartford.
United States Casualty.....	New York.
United States Fidelity and Guaranty.....	Baltimore.

The following companies, members of the bureau at the time of organization, have since retired from business:

Empire State Surety.....	New York.
Peoples Surety	New York.
Pennsylvania Casualty	Philadelphia.

The following companies have withdrawn from the bureau:

General Accident (U. S. Branch).....	New York.
Pacific Coast Casualty.....	San Francisco.
Pacific Surety	San Francisco.
*Preferred Accident	New York.
Prudential Casualty	Indianapolis.

* Entered the bureau subsequent to its organization.

Liability Conference:

The first association for rate making in liability insurance was formed in 1896 by the following companies:

Travelers Insurance Company (Accident Department)	Hartford.
Fidelity and Casualty Company	New York.
Employers' Liability Assurance Corp. (U. S. Branch)	Boston.
London Guarantee and Accident Co. (U. S. Branch)	Chicago.
Standard Accident	Detroit.
United States Casualty	New York.
Union Casualty	St. Louis.

This association of companies was known as "The Liability Conference." The companies in the "Conference" agreed to organize a Bureau of Statistics, to adopt uniform manual rates and standard policy forms. In 1904, as a result of competition, the agreement as to rates was nullified and the Conference confined its functions to gathering and compiling statistical experience for the information of the liability underwriters. In May, 1911, the Bureau of Liability Insurance Statistics, formerly part of the Liability Conference, was merged with the "Workmen's Compensation Service and Information Bureau."

PURPOSES AND ACTIVITIES

The constitution of the bureau, as adopted at time of organization, stated the objects to be as follows:

The objects of the Bureau shall be to aid in the preparation of plans for the compensation of working people who are engaged in industrial occupations; to devise and recommend safeguards and safety appliances for the protection of working people against the hazards to which they may be exposed by reason of their occupations; to gather and collate information and statistics concerning industrial occupations; to promote the interests of the companies which issue Workmen's Compensation or liability insurance and the service which may be rendered under "Workmen's Compensation plans" to the public as well as to employers and employees; to collate and tabulate such experience as may be submitted to it; to make such recommendations from time to time as the Governing Committee may deem to be for the benefit of the members; and in these several respects to promote the exchange of information which may tend to the proper conduct of the business in which the members of the Bureau are engaged.

The activities of the bureau for the period covered by this examination included the construction and promulgation of manual rates for employers' liability, public liability and workmen's com-

pensation insurance; compiling statistics of experience under workmen's collective and workmen's compensation insurance; interpreting manual classifications of risks; supervising the underwriting practices of the members and regulating the commissions payable to agents and brokers.

In addition to its actuary, Mr. Stanley L. Otis, and clerical employees, the work of the bureau is directed by the following officers and committees:

Theodore E. Gaty, of the Fidelity and Casualty Company	Chairman.
W. F. Moore, of the New Amsterdam Casualty Company	Secretary and Treasurer.

Governing Committee:

This committee is composed of representatives of eight companies. It meets monthly and has general charge and management of the affairs of the bureau.

Standing Manual Committee:

This committee has charge of the preparation of the various State manuals and to it are referred the various questions in connection with the amendments of the rules of the existing manuals, wording of classifications, alterations in rates and establishment of new classifications.

General Reference Committee:

To this committee is referred a variety of questions regarding underwriting principles and practices, approval of reduced rates applied for by the several companies and covered by the rules governing departures from manual rates.

The committee holds weekly meetings and has direct charge of the bureau affairs during the interim of the Governing Committee meetings.

The Automobile Committee:

Has charge of the preparation of the automobile manual, and to it are referred matters pertaining to the automobile manual and applications for reduced rates.

The Committee on Statistics:

Has general oversight of the statistical work of the bureau, recommends the experience to be called for and drafts forms of sheets for reporting the experience of the bureau.

The Local Associations Committee:

Has general supervision of the formation of local associations at different large cities of the country. Questions regarding the form of constitution, by-laws, rules and regulations are decided by this committee.

Legal Committee:

To this committee are referred such questions as involve legal questions on which it is deemed desirable to have the advice and counsel of attorneys.

Uniform Policy — Unlimited Coverage Committee:

Appointed for the purpose of drafting a uniform policy for use in compensation states where unlimited coverage is written.

Anti-Trust Laws:

On April 6, 1911, the Governing Committee adopted the following resolution:

Resolved, that a committee of four attorneys be appointed to report back to the Bureau on all anti-trust laws in effect or proposed in all states and give this body advice as to the question of defending any actions that may be brought against the companies and in what states, in their opinion, it would be most suitable to defend such action.

The committee which was appointed under authority of the above resolution, in its report submitted on May 3, 1911, classified the states in the three following groups:

(1) States that have no anti-trust laws or none that, in the judgment of the committee, could be held applicable to an agreement in respect of liability insurance rates:

California	Maine	Rhode Island
Colorado	Maryland	Tennessee
Connecticut	Missouri	Vermont
Delaware	Nevada	Virginia
District of Columbia	New Jersey	West Virginia
Florida	New Mexico	Wyoming
Indian Territory	North Carolina	
Kentucky	Pennsylvania	

(2) States that have laws expressly prohibiting combinations or agreements in respect of insurance rates:

Alabama	Kansas	Oklahoma
Arkansas	Michigan	South Carolina
Georgia	Mississippi	South Dakota
Indiana	Nebraska	Texas
Iowa	New Hampshire	Washington

(3) States that have anti-trust laws prohibiting any agreements designed to fix or regulate the price of commodities:

Arizona	Massachusetts	North Dakota
Idaho	Minnesota	Ohio
Illinois	Montana	Utah
Louisiana	New York	Wisconsin

The committee was in doubt whether the statutes in the latter named group applied to a contract in respect of insurance rates, that depending upon the interpretation of the word "commodity." In Iowa and Indiana it has been held that insurance is a commodity within the meaning of the anti-trust law. In Texas a contrary decision was reached by the Supreme Court of that State. In Ohio, where the question has never reached the highest court, the lower courts have decided both ways.

The committee advised the bureau that where the statute does not include words readily applicable to insurance, the use of the word "commodity" would not be held to include the business of insurance.

In so far as the common law is concerned, the committee reported that contracts in respect of insurance rates are within the common law rule against contracts in restraint of trade, and that such agreement be held to be void under the common law rule. There is, however, no penalty attached to any violation of the common law rule, and the only effect of such violation would result in a suit to enjoin the companies from carrying out the agreement.

On December 19, 1912, a committee of underwriters appointed to consider the procedure to be adopted in so-called anti-trust states recommended a system of rating by local rating bureaus on lines similar to those pursued by fire insurance companies. The plan proposed a method whereby the local rating bureaus will recommend rates to the companies, the subscribing companies to adopt the recommendations of the local bureaus.

In March, 1913, the constitution was amended and the name of the bureau was changed to "Workmen's Compensation Service Bureau." The objects of the bureau as stated in the amended constitution are as follows:

1. To gather and collate information and statistics concerning the number, causes and cost of industrial accidents.
2. To aid in the preparation of plans for suitably insuring the compensation of work people who are injured while engaged in industrial occupations.
3. To promote the interests of the companies which issue Workmen's Compensation or Liability Insurance Policies, and the service which may be rendered under Workmen's Compensation plans to the public as well as to employers and employees.
4. To provide facilities for the proper inspection of industrial risks, in order that the hazards attaching to industrial occupations may be minimized.
5. To assist such members as so desire in the formation of re-insurance agreements among themselves.
6. To assist in affording to the public an opportunity of understanding the theory and practice of Workmen's Compensation, the advantages attaching thereto, the cost thereof, and the best means whereby employees may be assured of the benefits to which they may become entitled under Workmen's Compensation legislation.
7. Generally to afford to members, to legislators and to legitimate inquirers any and all information which may assist in forming a sound basis for public opinion upon the complicated questions of due compensation for industrial accidents.

Under the provisions of the amended constitution, the bureau proposes to create additional departments for publicity purposes, for inspection of risks and for reinsurance.

Local Associations:

The bureau has been instrumental in organizing "The Casualty Insurance Exchange of New York" and local underwriters' associations in New Jersey, Massachusetts, Michigan, Illinois, Missouri and Wisconsin.

The objects of these subsidiary associations are to promote uniform practices among agents and brokers by adhering to the rates and rules promulgated by the bureau, to discourage rebating practices and to regulate commissions.

States Under Bureau Jurisdiction:

The following States are under the jurisdiction of the bureau:

Arizona	District of Columbia	Kentucky
California	Florida	Maryland
Colorado	Illinois	Massachusetts

Michigan	New Jersey	Tennessee
Montana	North Carolina	Virginia
Missouri	Ohio	Wisconsin
Nevada	Oklahoma	West Virginia
New York	Rhode Island	

EMPLOYERS' LIABILITY INSURANCE RATES

The practice of insuring an employer's common law and statutory liability for accidents sustained by workmen was introduced in England soon after the passage of the employers' liability act of 1880. Five years later, this form of insurance was introduced in the United States. For quite a long period, the business was experimental in character and the premium rates were largely based upon experience derived from personal accident insurance. The early manuals issued by the companies contained tables of employers' liability rates based upon the elements of hazard that enter into the underwriting of personal accident insurance. The methods of deducing premium rates were crude and unscientific and the manuals published were merely used as guides to reflect differences in the character of risks.

From 1890 to 1896, the companies writing employers' liability insurance were engaged in free competition, without any restraining influence on the part of any central bureau. The absence of any definite principles in construction of rates, the crude methods in maintaining loss reserves and the general recklessness in connection with the management, brought about the retirement from business of six out of eleven companies operating during the above period.

Liability Conference:

In 1896, a call was issued to the managers of the several companies engaged in the transaction of employers' liability insurance to meet for the purpose of discussing in a friendly and informal manner the difficulties existing at the time and the need of preparing to meet emergencies likely to arise in the future.

As a result of this call, seven companies organized the "Liability Conference."

The Liability Conference decided to organize a statistical

bureau, to inaugurate standard premium rates and to adopt standard policy forms. The first manual issued by the Conference was not based upon any exact scientific data and represented in a large degree the underwriting judgment of the members of the Conference. The second manual issued in 1898 provided for eight different schedules, classified according to industries, and also contained a differential in the rates charged in the various States. By a comparison of loss ratios, it was discovered that the loss experience in some States was more favorable than in other States; for example, the losses in the eastern States were not as high as compared with the losses sustained in the west and southwest. This was due to the fact that the physical and legal hazards were not equal in all the States and the Conference in constructing the 1898 manual took cognizance of such difference in hazard.

The manuals issued by the Liability Conference in 1901 and in 1904 were based upon the combined experience of the members of the Conference, after detailed study of the same by the committee. The method of deducing rates from such experience was devised by Mr. Frank E. Law, and has since been published under the title "A Method of Deducing Liability Rates." This method was adopted by the Liability Conference in determining premium rates for the use of the members of the Conference for a period of ten years, from 1901 to 1910. A brief explanation of the principles involved in such method appears later in this report.

The fundamental reason for the existence of the Conference was the hope that co-operation between the companies would lead to the adoption of adequate rates and the uniform adherence of companies in maintaining the Conference rates. Differences of opinion among underwriters as to the value of manual rates and the stress of outside competition eventually led to departure from manual rates and ended the usefulness of the Conference as a rate-making organization.

In 1904, liability rates were thrown wide open and the association of the companies, in so far as it affected rates, was ended. The Liability Conference thereafter held but few meetings and practically resolved itself into a statistical bureau for the purpose of compiling and tabulating statistics on liability experience.

Liability Statistics:

Early in 1906, the companies called for experience statistics that would indicate the pure premium loss on employers' and public liability insurance for the purpose of establishing manual rates on the basis of combined experience. In response to such call, the following companies furnished their experience:

Fidelity and Casualty Company of New York.
London Guarantee and Accident Company.
Maryland Casualty Company.
New Amsterdam Casualty Company.
United States Casualty Company.
Frankfort General Insurance Company.

With the exception of the Frankfort General Insurance Company, the experience furnished covered policies issued from 1889 to 1903, inclusive, with loss payments and estimates of outstanding claims brought down to December 31, 1906. In the case of the Frankfort General Insurance Company, such experience covered policies issued during 1903 with loss payments and estimates brought down to December 31, 1906.

The reported combined experience for employers' liability represented a total payroll of the entire country of \$3,776,429,304. The industries represented by this payroll were divided into twenty-six schedules, embracing 1,005 classifications, arranged as to analogous hazards into 214 groups. The combined experience was tabulated for the whole country and separately by States; also separately by industries in every State.

Method of Deducing Rates:

In determining the pure premium from the experience statistics thus furnished, the Conference committee followed the method outlined by Mr. Frank E. Law, previously referred to. The experience of the country at large was adopted as a basis; the amount of payroll for each industry was divided into the corresponding amount of paid and outstanding losses. After calculating the average pure premium loss for each group, the committee determined selected values of pure premium losses. This selection was necessary in certain groups, where the experience was too narrow and the actual pure premium loss derived either too high or too

low as compared with the results in similar groups secured from a broad experience.

The selected values of pure premium losses required the following further corrections:

First: Correction to reduce the selected values of pure premium losses to completed experience. The experience in liability insurance has demonstrated that it required a period of eight years or more to liquidate the obligations that may be incurred on policies written for any given policy year. The reserves carried by the companies for outstanding losses were regarded as inadequate by reason of imperfect reserve laws and the inability of companies to estimate losses with reasonable accuracy because of legal conditions.

Second: Correction to take account of the tendency for "Business growing worse." From the underwriters' point of view, employers' liability insurance as a business is growing worse. The defenses of the employer have been gradually modified by statute and by court decisions. The employer is held from year to year to greater accountability for personal injuries sustained by his workmen through work accidents; courts following the spirit of the times are applying broad constructions to the fellow-servant rule and the theory of assumption of hazard; juries show an unfriendly attitude to insurance corporations and are inclined to grant liberal verdicts. All these considerations, in the opinion of the underwriters, indicate that the pure premium loss obtained from past experience will be insufficient when applied to construct rates for future business. An additional factor increasing the pure premium loss to provide for probability of "business growing worse" was therefore regarded as necessary.

Loading for Expenses:

In determining the factor for expense loading, the Conference Committee considered the following three essential elements of such factor: (1) Business getting, or commissions paid to agents; (2) Underwriting, which includes cost of inspections, payroll audits and statistics; (3) General expenses, which covers management, taxes and license fees. The following percentages of the

gross premiums were assumed in establishing the factor of expense:

	Of gross premium
Commissions	25%
Underwriting expense	10%
General expense	5%
Underwriting profit	10%
Total	50%

Counter Differentials:

The gross premiums ascertained so far provided a basis for rates for the country as a whole. As stated before, it had been discovered that the physical and legal hazard was not alike in all States. The exposure to danger, the methods of work, the enforcement of rules and the installation of devices for prevention of accidents, and the character of employees, were elements entering into the physical hazard which varied materially in different communities. Similar variations were found to exist in respect to the legal hazard involved by reason of differences in statutory laws and decisions and in the attitude of courts and juries. To express these variations in mathematical form, comparisons were made of the loss experience in each State with the loss experience for the whole country and a table of counter differentials was constructed, which indicated, in percentage form, the ratios of loss experience for each State as compared with the loss experience for the whole country.

TABLE OF COUNTER DIFFERENTIALS

State	Counter Differential	State	Counter Differential
Alabama	1.257	Indiana	1.343
Arizona	.471	Indian Territory.....	1.934
Arkansas	1.062	Iowa	.990
California	.782	Kansas	1.364
Colorado	.825	Kentucky	1.776
Connecticut	.523	Louisiana	.815
Delaware	1.845	Maine	.811
District of Columbia.....	1.105	Maryland	.609
Florida	.558	Massachusetts	.973
Georgia	1.173	Michigan	.658
Idaho	.767	Minnesota	1.163
Illinois	1.315	Mississippi	1.128

State	Counter Differential	State	Counter Differential
Missouri	1.103	Pennsylvania	.531
Montana	.300	Rhode Island	1.331
Nebraska	1.337	South Carolina	1.309
Nevada	.385	South Dakota	.905
New Hampshire	.918	Tennessee	1.858
New Jersey	.658	Texas	1.998
New Mexico	3.210	Utah	2.128
New York	.774	Vermont	.479
North Carolina	1.498	Virginia	.963
North Dakota	.640	Washington	1.550
Ohio	.829	West Virginia	.346
Oklahoma	1.885	Wisconsin	1.086
Oregon	1.119	Wyoming	.426

The average loss ratio for the whole country .486 is taken as 1. The percentage in the above table shows to what extent the hazard in a given State is greater or less than the average for the whole country.

Construction of Manual:

It appears that no manual was ever published representing rates based upon the experience statistics compiled by the Liability Conference. The pure premiums indicated by the Conference tabulation have been used by the companies as a guide in establishing rates for employers' liability insurance. The examiners compared the rates promulgated by the workmen's compensation bureau for employers' liability insurance in New York with the rates indicated by the statistical data gathered by the Liability Conference. Such comparison shows in many classifications a wide departure between conference rates and the bureau rates. An explanation of the reasons which led the underwriters to depart from the conference rates appears in the minutes of the evidence taken in the course of the examination.

From the evidence of Theodore E. Gaty, chairman of the Workmen's Compensation Bureau, it appears that the underwriters in constructing the present New York manual rates for insurance to cover the employers' common law liability as amended by statute, started out with the theory that the cost to indemnify employers under the present laws will be equal to the old liability rates plus half the rates for insurance under workmen's compensation laws.

The comparative schedule referred to, however, shows so many increases over and decreases under the Conference rates, that this theory was apparently abandoned and in its place substituted a process of rate making based upon a comparison of the statistical information in the possession of the companies and amplified by the intuitive method, commonly described as underwriting judgment. The members of the manual committee found difficulty in reaching agreements on liability rates. Some companies were in favor of generally increasing the old liability rates for the reason that the common law defenses have been greatly modified by statutes and by decisions; others took the position that the pure premium should be lower than that indicated by the statistical tables on the ground that in former years the companies did not recover additional premiums and that therefore the amount of the payrolls indicated by the Conference figures was below the actual amount that should have been collected. It is admitted that the underwriting sense of some committee members was time and again substituted in place of the statistical experience before the committee. Frequently the statistical experience of the Liability Conference proved upon comparison to be too narrow. In the committee meetings each company brought its own experience. Comparisons frequently showed that the following companies, The Travelers, The Aetna, the Ocean Accident and the Employers' Liability Corporations together, had more experience than that shown by the Conference statistics. The committee in such cases would take the payrolls of the four companies, divide the payrolls into the losses and create a new pure premium as a basis for a rate. Generally this method has been followed for ratemaking in other States, where employers' liability for personal injuries to workmen is still based upon the theory of negligence, and where the common law defenses are still available to the employer.

Effect of Compensation Laws on Employers' Liability Rates:

After the decision rendered by the New York Court of Appeals in the case of *Ives v. South Buffalo R. R. Co.*, declaring unconstitutional the Wainwright Act, which provided compulsory compensation to workmen engaged in hazardous industries, the Legis-

lature of New Jersey adopted an elective compensation act, which went into effect on July 4, 1911.

The New Jersey statute provides the following form of election: The employer has the option of either agreeing to pay compensation to all his injured workmen in accordance with a definite schedule and regardless of whether the accident was due to any fault on part of the employer, or if he refuses to make such agreement, the injured workmen or their dependents may sue at common law for damages and in such suit the employer may not interpose the defenses commonly designated as assumption of risk, fellow-servant rule and contributory negligence. Following the enactment of the New Jersey compensation law, other States in quick succession adopted elective compensation acts.

It then became important to establish and promulgate proper rates for insuring employers who have elected to accept the compensation act, and also for insuring those employers who preferred to remain without the act, exposed to damage suits without limit as to recovery, and with the common law defenses either entirely abolished or materially modified. In the following States that have enacted elective compensation laws, the problem of measuring the value of the employers' obligations became important: Massachusetts, Rhode Island, Illinois, New Jersey, Michigan, New Hampshire, California and Wisconsin.

Employers' Liability with Defenses Removed:

In determining the rates for employers' liability under the common law with defenses removed, the manual committee had to rely largely upon the judgment of its members. The companies had no measure and have no measure to-day of what the cost will ultimately be under an employers' liability act with the defenses abrogated. Some underwriters were of the opinion that it would cost more than any compensation act yet introduced in the United States. This opinion, however, was not generally entertained by the underwriters. According to the evidence, the chairman of the bureau was practically alone in insisting that in the States of California and Wisconsin, where the defenses of the employer were modified and the compensation schedule based upon 60 per cent. of the employees' wages, the cost of insuring the employers' liability

for damages will be as great or nearly as great as insuring the compensation under the act.

Variation of Rates for Employers' Liability and Compensation Insurance:

A comparison of rates in States that have adopted elective acts shows the following variations between employers' liability and compensation insurance:

Massachusetts: Employers' liability rates were placed 25 per cent. higher than compensation rates. With the three main defenses abolished, it was believed that the losses under employers' liability policies would be greater than under compensation contracts.

Rhode Island: Rates determined upon same basis as in Massachusetts.

Illinois: Employers' liability rates are 20 per cent. lower than compensation rates. If the medical benefit is not covered by the compensation policy, the rates are equal under both forms of insurance. The Illinois act abrogates the two defenses of "assumption of risk" and "fellow-servant rule." Contributory negligence is a factor in determining the amount of damages.

New Jersey: Theoretically, the rates for employers' liability and compensation insurance are the same with this exception: Distinction is made between two policy forms—"Combination Coverage" and "Compensation Coverage." The first form covers the entire employers' liability, including the compensation act. The second form covers the compensation act only and the rates for the second form are 10 per cent. lower than for the first. In New Jersey, the employers' main defenses, excepting wilful negligence, have been abolished. In practice the allowance of a 10 per cent. discount makes liability rates higher to that extent than compensation rates.

Michigan: The rates for employers' liability and "Combination Coverage" are the same. The employers' main defenses, excepting wilful negligence, have been abolished.

New Hampshire: The rates for "Combination Coverage" are generally higher than for employers' liability. The variations differ in the schedules and in some instances show increases as

high as 300 per cent. The act abrogates the employers' defenses of "Assumption of risk" and "Fellow-servant rule" but does not disturb the doctrine of "contributory negligence."

California: The rates for "Combination Coverage" are generally higher than for employers' liability. The variations differ in the schedules and in some instances show increases as high as 200 per cent. The law abolished the defenses of "assumption of hazard" and "fellow servant rule" and modified the doctrine of "contributory negligence." Since the publication of the rates, the losses under employers' liability have been heavier than anticipated and the companies are nearly unanimous in the opinion that the rates for employers' liability should be increased.

Wisconsin: The rates for "Combination Coverage" were placed at first higher than for employers' liability. In February, 1913, the bureau revised the Wisconsin rates, placing both liability and compensation insurance on the same level. The situation is similar to that in California. Notwithstanding the drastic provisions of the compensation law, it is more costly to settle damage suits although the employers' defenses are not entirely abrogated, than to provide compensation insurance.

RATES FOR COMPENSATION INSURANCE

The enactment of compensation laws in various States presented a new problem of rate making for the casualty companies engaged in writing liability insurance. The committee of seven previously referred to, took the subject of rates under advisement immediately after the New York Legislature passed the Wainwright Act. As the act has been declared unconstitutional, the rates then adopted for insurance under such act are not important for the purposes of this report.

The manual committee appointed by the Workmen's Compensation Bureau promulgated the first manual for compensation rates in the State of New Jersey. From the records of the bureau and the evidence of its chairman, the rates for the New Jersey manual were deduced from the following sources: (1) Workmen's Collective Experience; (2) Employers' Liability Experience.

Workmen's Collective Experience:

In 1909, a committee was appointed to collect data under workmen's collective policies in order that this data might be applied as a basis for workmen's compensation rates. Workmen's collective policies, are issued by casualty companies concurrently with employers' liability policies and are designed to cover the entire group of employees in the shop or factory against accidents during occupation hours. As a rule, the premiums for such insurance are deducted by the employer from the wages of his employees and transmitted by him to the insurance company. This form of insurance has all the attributes of personal accident insurance, except that it is limited to hours of employment.

The rates for workmen's collective policies are based upon personal accident rates, and while the experience under workmen's collective policies is not regarded as adequate, the accident experience upon which workmen's collective rates are built, is extensive. The statistical experience of nine companies as to workmen's collective insurance was furnished to the bureau for the period covered by policies issued from 1904 to 1907. The experience tabulated represented 106,000 men in various lines of industries on the assumption of average annual wages of \$500. The combined experience represented a payroll of \$53,346,762. A study of the pure premium losses under workmen's collective policies made by the committee indicated that the cost for workmen's compensation based on the benefits of the New York law which was declared unconstitutional, was 78 per cent. greater than the cost of workmen's collective insurance. The pure premium loss as indicated by the statistical experience of workmen's collective insurance amounts to .70 per \$100 payroll. By dividing the workmen's collective pure premium loss (70 per cent.) by the admissible loss ratio (50 per cent.), the indicated premium rate was found to be \$1.40. The pure premium loss for workmen's compensation was found to be \$1.50 per \$100 payroll. By dividing workmen's compensation pure premium loss (1.50 per cent.) by the admissible loss ratio (60 per cent.), the indicated premium rate was found to be \$2.50. It will be noted that the committee

assumed the loading to be equal to $66\frac{2}{3}$ per cent. of the net or 40 per cent. of the gross premium, as per following table:

Pay to injured.....	.60
Adjusting expenses	.10
Commission	.125
Underwriting expenses	.10
Taxes	.025
Factor of error.....	.05
	1.00

Although the compensation rate of 2.50 is greater than the collective rate of 1.40 by multiplier 1.76, the committee decided to allow an additional margin of safety and to apply a multiplier of 2 to workmen's collective rates for the purposes of creating compensation rates.

The committee on the New Jersey manual held numerous meetings; there were many disagreements. Some underwriters were of opinion that workmen's collective rates with a multiplier of 2 should not be followed for the reason that it was too high. Others were of the opinion that the loading of $66\frac{2}{3}$ per cent. for expenses was insufficient, and that a level loading of 100 per cent. was necessary. The New Jersey manual was finally constructed through compromise. The starting point was established by workmen's collective rates. The schedules of classifications were taken up in order; the multiplier of two was used in some industries; in the less hazardous industries the committee agreed upon a smaller multiplier, while in a number of cases the manual indicates that a higher factor was employed.

Employers' Liability Experience:

In addition to workmen's collective experience, the experience under employers' liability policies was applied to test the sufficiency of compensation rates. From a study of the accident frequency and duration of disability prevailing in European countries, one of the prominent underwriters reached the conclusion that under compensation laws (like New Jersey) providing a waiting period of two weeks before compensation is payable, there will be 40 claims out of 100 notices of accident, as against 10

claims out of 100 notices of accident under employers' liability policies. Further computations involving average duration of temporary disability and the number of permanent and fatal injury cases indicated an average claim cost under compensation insurance equal to 75 per cent. of the average claim cost under liability policies. The average claim cost for compensation upon the basis of such computation was equal to three times the cost for liability insurance.

The average notice cost under liability insurance has been approximately \$30. The cost of one hundred notices developing in ten claims at \$300 equals \$3,000. Under compensation insurance the cost of one hundred notices developing into forty claims at an estimate of \$225 per claim equals \$9,000. It is clear from a comparison of the New York liability manual with the New Jersey compensation manual that the theory of cost as explained above played an important rule in deducing compensation rates. It appears that all compensation rates in the New Jersey manual of \$3 or less have been increased on an average to the extent of 300 per cent. above the New York liability rates. In some classifications, particularly the less hazardous, the increases run as high as 400 per cent., while in the more hazardous schedules the increases vary up to 200 per cent. as compared with the New York liability rates. It is freely admitted now by the underwriters that the New Jersey rates were pitched too high; apparently the factor applied to workmen's collective rates was too high; similarly, the estimate of the probable number of claims per 100 notices of accident appears to be too high in the light of present experience. While the manual rates for New Jersey are undoubtedly too high, they were reduced materially in practice through special rating methods, hereafter referred to.

In speaking of the tests applied in constructing New Jersey rates, the underwriting judgment that entered into rate-making and the mathematical relation between New York and New Jersey rates, Mr. W. C. Cowles, vice-president of the Travelers Insurance Company, writes as follows:

A very long experience in a given line of insurance produces a sort of an element of rate sense which is indescribable but which makes a method which would appear to a stranger as crude rather than useful for test

purposes. Naturally, its usefulness depends upon its accuracy and apparently this test was inaccurately devised. It is fair to say that the resulting inaccuracy is due to a condition which could not be foreseen, probably due to a condition which will not long exist.

With regard to the relation between New York rates and New Jersey rates: It would be but natural that some such relation should exist even though each of the rates be computed independently. Rate making is merely a process of employing multiples, and rate making in one state which employs multiples and in another state which employs other multiples would perhaps produce frequent conditions where the rate in one state would bear a multiple relation to the rate in another state.

I should say as a theoretical deduction that if the rates in New York state were mathematically accurate (and I presume they are not) and if the rates in New Jersey are also mathematically accurate (and I presume they are not) there would be some instances,—perhaps many instances,—in which the rates of one state would bear a multiple relation to the rates in another state, and I should look upon this result if it happens in the manuals as some slight evidence of their reasonable accuracy.

PRESENT SITUATION IN NEW JERSEY

New Jersey was eliminated as a bureau State on and after July 4, 1913.

This result was brought about by the operation of new legislation. This legislation is so broad as to prohibit any agreement on rates in connection with any class of insurance in the State of New Jersey.

At the same session of the Legislature, there was enacted what is known as the "Ramsay Bill." This act provides:

First: That insurance companies shall not discriminate unfairly between risks within this State of essentially the same hazard.

Second: That no insurer against the hazards of fire or legal liability of the employer shall make any such insurance within the State except in accordance with general basis schedules, embodying basis rates, charges, credits, terms, conditions, permits, standards and other data necessary to the computation of equitable rates and rules of practice for such insurance.

Such schedule rates shall be filed by such insurers with the Commissioner of Banking and Insurance within three months after the act goes into effect. Any one or more of such insurers, singly or jointly, may employ for the making of such basic schedules and rates, and the filing of the same, the services of such experts as it or they may deem advisable for such purposes.

The Workmen's Compensation Service Bureau, through its inspection department, has undertaken to inspect every manufacturing risk in the State of New Jersey with a payroll of over five thousand dollars. This work will be completed about the middle

of September and the deductions made by a committee of experts will enable the bureau to file a schedule of rates based on physical and moral conditions. In other words, the bureau will be compelled to file rates with the Commissioner of Banking and Insurance on or before October 4th. In the interim, the liability companies must not indulge in discriminatory rates.

MASSACHUSETTS COMPENSATION RATES

In Massachusetts, the compensation rates were placed on a lower basis than in New Jersey; this for the reason that the accumulated experience in New Jersey indicated that the early estimates as to compensation cost were too high. A comparison of the New Jersey and Massachusetts manuals shows that in most of the schedules where the rates are \$3 or less, the rates for Massachusetts are from 10 per cent. to 25 per cent. below the New Jersey rates. In the leather and shoe schedule, the Massachusetts rates show reductions to the extent of 50 per cent. below New Jersey rates. As an explanation of these material differences, it is pointed out in the evidence herewith annexed that the boot and shoe manufacturers in New Jersey have been granted special ratings, to the extent of 40 per cent. below manual. In Massachusetts, special rates are not permitted unless based upon the physical hazard of the establishment. The insurance companies in that State are required by law to file their classifications of risks and the premium rates relating to such risks with the Insurance Department, and such rates become effective only when approved by the Insurance Commissioner as adequate for the risks to which they apply. This provision has had a salutary effect in standardizing rates and regulating commissions. Since the completion of this examination, a further reduction of 25 per cent. has become effective on both employer's liability and compensation rates in Massachusetts. The influence of the mutual companies as a competitive factor has undoubtedly contributed to the reduction of the Massachusetts rates.

MICHIGAN COMPENSATION RATES

In Michigan, the Massachusetts compensation rates with an increase of 10 per cent. were adopted with few exceptions practically for all schedules. The notable exceptions are iron mines

which were increased to the extent of 50 per cent. The radical increase of rates in this industry appears to be due to the unfavorable experience of industrial accident companies operating in the mining region. The underlying reasons for the Michigan rates and the analogy of the rates for Michigan and Massachusetts are explained in a memorandum for the manual committee, dated July 25, 1912, prepared by Mr. W. G. Cowles. After comparing the benefits provided by the compensation acts of both States and submitting estimates of the probable claim cost, the writer of the memorandum referred to, reaches the following conclusion:

In some aspects, a differential of 5% in addition to the Massachusetts law would seem adequate, but viewing it in its eventual condition when claimants have become reasonably educated, a differential of 10% is more clearly indicated.

The coming competitive situation in Michigan cannot be disregarded although it is quite unlike the Massachusetts situation. On the whole I am wondering if in view of the probable added cost of statutory (medical) aid an average of 10% increase on the Massachusetts rates would be sufficient. My best judgment is that it would be, at least at the outset, but if other members of the Committee feel that further increase is desirable, I should yield my opinion but would not advocate a greater total increase than 15% which ought to be adequate for all purposes.

The 10 per cent. average increase recommended by the writer of the memorandum was evidently adopted by the manual committee.

DEPARTURE FROM MANUAL RATES

While not expressly stated in the constitution of the bureau, there exists an implied or tacit agreement between the companies constituting the bureau that the rates established by the manual committee and approved by the governing committee will be adhered to in actual underwriting practice. There is, of course, no legal binding force to compel a company to adhere to the bureau rates, nor is there any penalty for failure to adopt in practice the rates promulgated by the bureau. In recommending to its members the adoption of bureau rates, the bureau expects that its members are in honor bound to accept such rates, or else withdraw from an association, which appears to be founded upon a "gentlemen's agreement" to observe rules established for the protection of mutual interests.

The members of the bureau have, in practice, found it impossible to adhere in all cases to the manual rates established by the bureau.

We find that in a large number of cases, the companies departed from the established manual rates and granted special rates to their policyholders, subject to the rules of the bureau and to the approval of the general reference committee. The necessity for making special rates is described by one of the underwriters as follows:

The Bureau Manuals are compiled by a Standing Manual Committee, and perhaps are as reasonably complete as can be expected, in view of the comparatively recent organization of the Bureau. Experience has proved, however, that the definitions of the classifications contained within the manuals are in very many respects inadequate to meet the diverse operations of a very large number of employers; and it is, I think, entirely safe for me to state that a very large percentage of the liability risks in this country are of such a nature as to enable two independent underwriters to regard them as within different manual classifications. Such differences of opinion are in very many respects entirely legitimate. There are possibly instances in which such differences of opinion may be stretched to an extent which would be regarded as illegitimate.

The means whereby such differences of opinion may be brought into line is by application to the General Reference Committee of the Bureau. That General Reference Committee also makes rates upon the application of members, for occupations which do not appear to be properly covered by any Manual classification. And it is anticipated that this work of amplifying manuals and of interpreting classifications will continue uninterruptedly for a considerable period of time,—until in fact the Bureau's manuals may be regarded as entirely complete.

It has also been the practice for carrying companies to submit to the General Reference Committee particulars of certain risks, which, while perhaps coming squarely within a Manual classification, are of such a nature, by reason of exceptional safeguards, excellent management, clean experience, as to be entitled to a lower rate than that provided by their respective classifications. Such reduced rates, known as Special Rates, have been granted in a very large number of instances and are notified by the Bureau only to the carrying company or to a company that specifically applies for such information. No company has a record of all or even of a large majority of the special rates that have been so granted.

The examination of the bureau correspondence indicates, however, that special rates were granted mainly in order to meet the competition of nonbureau companies. The rules of the bureau affecting special rates have been amended from time to time in accordance with the competitive conditions existing at various

periods in the field of liability insurance. The essential provisions relating to special rates in effect prior to December, 1911, were as follows:

The company applying for special rates was required to submit at least two years' continuous experience to date of expirations; if the applying company had but one year's experience, it could submit one year's experience of another bureau company, that had carried the risk. Reduced rates below manual were granted only on renewals to companies carrying the risk, except on contracts for new and specific construction operations. Special rates below manual were not allowed on risks in automobile, except as to garages, elevator, general liability, theatre, teams, owners and contractors contingent, mining and vessel schedules. In the following schedules, special rates were granted only if the payroll exceeded the amount indicated below:

Schedule	Payroll
Bakers and confectioners.....	\$500,000
Chemical, paint and drug.....	500,000
Coach, carriage and wagon.....	100,000
Railroad car manufacturers.....	500,000
Special contractors	35,000
General contractors	100,000
New and specific construction.....	150,000
Electric	250,000
Leather and shoe.....	250,000
Lumber (western states).....	125,000
Lumber (southern states).....	50,000
Meat, packing house and stockyard.....	500,000
Metal (except steel works, N. Y.).....	100,000
Milling	250,000
Miscellaneous (with certain exceptions).....	100,000
Oils	100,000
Ore reduction and concentration.....	200,000
Paper	100,000
Pulp mills, etc.....	250,000
Pottery and glass	100,000
Printing	100,000
Rubber and compositions.....	250,000
Stevedore	75,000
Stone	50,000
Textile	150,000
Tobacco	150,000
Warehouse	100,000
Wood	100,000

At the annual meeting of December 7, 1911, the rules in relation to special rates were modified as follows:

Reduced rates were limited to risks with a payroll expenditure of not less than \$120,000 through a three-year period, except in the following schedules where the payroll basis was limited to amounts indicated below:

Contractors	\$50,000
Electric	200,000
Coal mining (Ohio, Va., W. Va., and states north and east)	200,000
Coal mining (other states)	600,000
Ore mining	200,000

For compensation insurance, the payroll basis was reduced to 50 per cent. of the foregoing requirements. Reduced rates were not allowed in the following schedules: Automobile, except as to garages, elevator, general liability (with certain exceptions), teams, owners and contractors contingent, public liability (with certain exceptions). All rates involving departure from manual were made subject to approval by the actuary of the bureau and the general reference committee.

The applying company was permitted to recommend a maximum and minimum premium rate, with the proviso that the maximum rate should not be less than 110 per cent. of the minimum rate.

In April, 1912, the special rating rules were modified in the following essential respects:

The rule as to limitation of payroll was abrogated.

A company that had carried a risk for a period not less than ten months was permitted to make a special rate for the renewal of such risk by giving notice to the bureau and without requiring the consent or approval of the general reference committee.

On new risks, viz., risks that had not been carried by any bureau member during the preceding six months, reduced rates were permitted after five days' notice to the bureau members, if no remonstrance against such special rate had been filed by any member of the bureau.

Reduced rates were not permitted for risks in the automobile, elevator and teams schedule.

These rules remained in force until December 31, 1912.

The special rating rules were again amended on February 6, 1913. These amended rules create a distinction between liability and workmen's compensation risks, and were largely influenced by the admission of the Globe Indemnity Company and the readmission of the Royal Indemnity and the Aetna Life Insurance companies to membership in the bureau. For the benefit of these companies, all risks in force carried below manual rates are reported to the bureau as special rates. Reduced rates are not granted on liability risks, except automobile (garage risks), contractors and workmen's compensation. A company carrying a risk at a reduced rate is required to give to inquiring members complete and accurate information as to the rate and classification of such risk, provided the inquiring company agrees to maintain the rate and to treat all information in the strictest confidence.

Reduced rates on renewals of workmen's compensation risks are permitted upon notice to the bureau and without requiring the consent or approval of the general reference committee. On new risks special rates may be granted upon five days' notice to bureau members, provided no remonstrance is filed by a bureau member.

The application of the special rating rules in the practice of underwriting liability insurance has caused general dissatisfaction among the bureau members and has brought about frequently the withdrawal of members who were unable to adhere to the bureau rules in competition with other companies. During 1911 and 1912, the competition among the companies was intensified by the entry of new companies with established agency plants in the field of liability insurance. The practice of permitting special rates on renewals as a matter of right was particularly disadvantageous to newly organized companies and to those that were seeking to increase the volume of liability premiums. Nor does it require extensive evidence to prove that special rating methods, unless based upon the physical hazard of the risk, are wrong in principle. If there is any sound mathematical basis for manual rates, derived from experience and representing averages, departure from such rates, unless based upon elements of hazard, destroys the principle of insurance averages and operates as a discrimination in favor of one policyholder as against the other

assured. The effect of creating a special rate in favor of a given risk has the tendency to bring about the reduction of rates for an entire group of assured influential enough to obtain reductions. Under the rules of the bureau as they existed prior to April, 1912, only large employers with a high payroll were able to secure reductions in rates. It is obvious that the effect of this rule resulted in discrimination against the small employers whose payroll was below requirements, and who was obliged to pay the full manual rate. The special rating situation is frequently commented upon in the bureau correspondence. Selected extracts from such correspondence, outlining the opinion of the underwriters and indicating the actual practices, are annexed hereto as Exhibit B.

PUBLIC AND GENERAL LIABILITY

Public:

As a basis for public liability rates, the bureau has employed the statistics compiled by the Liability Conference. The period covered by the statistical experience includes the policies issued from 1889 to 1903, with losses paid and claims outstanding brought down to December 31, 1906. The average factors of pure premium losses for each industry and group were applied for the whole country without any use of differentials to express distinctions of hazards between the several States. The combined experience of the conference companies as tabulated by its statistical bureau shows a total payroll of \$751,981,130. In some schedules, such as the mining schedule, the manual provides no rates for public liability. In those cases, the rates are determined by the general reference committee.

General:

The rates for insurance in the general liability schedule are computed upon each lineal foot of frontage and each 100 square feet of area. The frontage charge applies to all street frontages, excluding the rear or sides of any building, which abuts upon an alley not more than 15 feet wide. The area upon which the charge per 100 square feet is made, comprises the outside measurement of the building, multiplied by the number of stories, including any basement to which the public is admitted for general trade or busi-

ness purposes. Employees may be covered on a general liability form on a payroll basis. Compensation insurance may be written in some states in the form of an indorsement attached to the general liability policy, eliminating, however, the limits customarily expressed in liability policies.

Elevators:

Elevator risks may be included under general liability policies or covered on separate forms. The rates are determined according to the number and character of the elevators and the description of the buildings. Policies for general liability risks may be written for a term of three years with a discount of 10 per cent. upon the payroll, frontage, area and elevator rates, providing the entire three year premium is paid in advance or in three installments as follows: 50 per cent. in advance, 30 per cent. at the end of the first year and 20 per cent. at the end of the second year.

Teams:

Teams' policies cover both public and employers' liability, the premium rates depending upon the number of persons engaged as drivers. In compensation states, the liability for accident to drivers and other employees must be covered under a separate policy. All rates for teams' insurance cover the hazard incident to the loading and unloading of vehicles. The liability for damage to property of third parties may be covered under a teams policy in addition to the insurance against liability for personal injuries.

Automobiles:

The rates for automobile insurance were prepared in the committee, each company submitting its own experience. The committee compared and tabulated the experience and established pure premiums for liability, property damage and collision. The figures tabulated by the automobile committee have not been submitted to the bureau and are not part of its records. The factor of loading for commissions, underwriting and office expenses is equal to 50 per cent. of the gross premiums. For purposes of rating, the risks are classified generally as private pleasure vehicles, public automobiles, commercial vehicles, manufacturers' and dealers' automobiles. Rates of liability and property damage in the case of private and public automobiles are based upon the

"Insurable Horse-power" in accordance with the formula for horse-power rating established by the American League of Automobile Manufacturers. Rates for collision are specifically determined for each car, dependent upon its make and age. Commercial automobiles for rating purposes are subdivided into five classes, according to the character of the vehicle. In the case of manufacturers' and dealers' automobiles, the rates are fixed either per named chauffeur or specified car, or upon payroll basis, or upon a car output basis. In the latter case, the premium varies according to the listed catalog price of the car. The manual automobile rules and rate sheets for New York are filed with this report.

POLICY LIMITS

The rates quoted in the manuals are for so-called standard limits, viz., a limit of \$5,000 for any one person injured and subject to that amount for each person, a total limit of \$10,000 for any number of persons injured in the same accident. The manuals contain tables of higher limits running as high as \$75,000 to \$150,000. All schedules are divided into four groups, A, B, C, D, according to the hazard. The basis manual rates for standard limits are taken as 100 per cent.; insurance rates for lower or higher limits vary from 85 per cent. to 225 per cent. of the standard rates according to the class of the risk and the limits of the policy. All compensation policies in Massachusetts, Michigan and certain other states are written without limit as to coverage.

COMMISSION RULES

The bureau has made many determined efforts to regulate commissions on liability and compensation insurance. It has established definite commission rates to be paid by its members to general, special and local agents and to brokers in the States under its jurisdiction. The constitution of the Casualty Insurance Exchange of New York organized by the bureau contains the following provision:

No brokerage or commission shall be paid or allowed on any policies in excess of the rates adopted by the Workmen's Compensation Service and Information Bureau.

Similar provisions are to be found in the constitutions adopted by the local associations in the bureau territory. While commissions on workmen's compensation, and liability and compensation combined have been limited and regulated by bureau commission rules, as far as bureau companies are concerned, in the states of California, Wisconsin, Illinois, New Jersey, Michigan and Rhode Island, it appears that the only state where commissions have been effectively regulated as far as all companies are concerned is Massachusetts.

The commission rates in Massachusetts and those generally prevailing in the other states are as follows:

	Compensation	Other Liability Lines
General agents	17½ %	25 %
Special and local	12½ %	20 %
Brokers	10 %	15 %

The effective control and regulation of rates and commissions in Massachusetts, as per evidence contained in a report of The Massachusetts Casualty Underwriters' Association, is due entirely to the provisions of the compensation law and the effective administration of the insurance department. The evidence of the chairman of the bureau shows that the payment of commissions equal to 20 per cent. or 25 per cent. of the gross premiums for compensation insurance is a scandal; that the entire business getting cost under an elective law should not exceed 15 per cent.; under a compulsory law, 10 or 12½ per cent.; and that it may be accomplished only by conferring proper authority upon the superintendent of insurance to approve premium rates and limit expenses of administration.

CONCLUSION

The practice of liability insurance in this country covers a period of twenty-five years. During the first ten years the companies were groping in the dark and destroying each other through reckless competition. Then followed a decade of co-operation, accompanied by efforts, well-meaning if ineffectual, to discover and apply correct principles for standard rates. The inability of the companies to bring all competitors into "The Liability Conference," and the free competition that followed, resulted in the practical dissolution of such conference as an active rate-making body.

This bureau, like its predecessor, the "Liability Conference," has made strenuous efforts to unite the companies and apply in the practice of liability insurance, mathematical principles of rate-making. From an impartial study of its activities, it is evident that it has not succeeded in uniting all of the companies into a compact organization for the purpose of maintaining uniform rates. This was partly due to the constantly changing conditions in the field of employers' liability, to the rivalry between the members, and to the competition from nonbureau companies.

The failure to maintain uniform rates is believed by some persons to have been of benefit to the public, in so far as preventing the establishment of monopoly in liability insurance. On the other hand, the absence of definite principles in rate-making and the practice of special rates has resulted in discriminating practices in favor of large and against the small employers of labor.

The entire scheme of employers' liability insurance is now subject to radical transformation by the introduction of a new principle in the law of employers' liability. From an insurance standpoint, workmen's compensation is far preferable to the old system of employers' liability for negligence. After the accumulation of a certain amount of experience as to accident frequency, it will be possible for the companies to ascertain the cost and consequently the pure premium rates with reasonable accuracy. But a change in the law of employers' liability will entail a change in the practice of underwriting. It will be necessary for the companies to establish pure premium rates upon sound statistical experience, and apply such rates in practice without unfair discriminations.

There is a movement in some of the states to eliminate the stock casualty companies from writing compensation insurance. If they are to be permitted to write employers' liability and compensation insurance, the practice of special rating, unless based upon physical and moral hazard, will have to be discontinued. Similarly, excessive commissions to agents and brokers and other extravagant expenses of administration will not be tolerated by the employers who pay the premiums, or the employees for whose benefit they are paid.

A study of the problem of rate-making in employers' liability

insurance leads one to the irresistible conclusion that in order to maintain the solvency of the companies, the net premium rates for employers' liability and compensation insurance should be placed beyond the reach of competitive influences and the margin for expenses subjected to reasonable limitations. It is evident that the companies through combination are unable to enforce equitable rates nor prescribe reasonable limits for expenses. There is an insistent public demand that compensation insurance premiums shall be treated as a trust fund for the workers and their dependents, whom compensation legislation is designed to benefit, and administered accordingly. This demand may be satisfied by legislation authorizing the State department to approve premium rates and limit expenses. The future usefulness of the bureau as a central organization of the liability companies will depend largely upon the degree of efficiency and faithful service that it will render in carrying out the proposed program to gather statistics concerning the number, causes and cost of industrial accidents; to provide facilities for the proper inspection of the industrial risks and to establish a merit system of rating based upon statistical experience and the physical and moral hazard of each individual risk.

Fees and Taxes Charged New York Insurance
Companies by Insurance Departments
of Other States for 1914

[1175]



STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, *January 1, 1914*

SIR: Sent you herewith are abstracts of letters received from the Insurance Superintendents, Commissioners or other officers charged with insurance supervision in the several States, setting forth in detail the fees and taxes imposed by the provisions of their insurance laws, and which will be collected from the various insurance companies, associations and societies of New York during 1914. The Department is informed that no discretionary power is vested in such Insurance Superintendents, Commissioners and officials to reduce or remit these charges.

Respectfully yours,

A handwritten signature in cursive script, appearing to read "W. T. E. M. West", enclosed within a large, sweeping oval flourish.

Superintendent of Insurance

[1176]

FEES AND TAXES

IMPOSED BY THE NEW YORK INSURANCE LAW ON COMPANIES OF OTHER STATES

(Authority to remit all fees is vested in the Superintendent of Insurance of the State of New York and they are remitted when like consideration is shown New York companies by other States.)

FEES

Filing declaration and certified copy of charter, all companies....	\$30 00
Filing annual statement, all companies.....	20 00
Certificate of authority, company or agent.....	5 00
Certificate of deposit, valuation or compliance, each.....	5 06

Copy of records, 10 cents per folio and \$1 for seal.

Retaliatory provisions for other or greater charges by other states.

TAXES

Life and casualty companies of other states, 1 per cent. of gross premiums received in this state. (Collected by state comptroller. Section 187, Tax Law.)

(In collecting taxes, under retaliatory provisions, from life or casualty companies, the New York Insurance Department allows credit for the amount paid to the state comptroller.)

Fire companies, 2 per cent. of gross premiums received for insurance on buildings within the fire limits of cities and villages maintaining fire departments. (Payable to fire departments or associations. Section 133, Insurance Law.)

(In collecting taxes, under retaliatory provisions, from fire companies, the New York Insurance Department allows credit for the amount paid under section 133.)

Marine companies, 2 per cent. of gross premiums received in the state, or obligations taken therefor, less reinsurance paid to companies subject to this tax. (Section 34, Insurance Law.)

Mutual fire insurance companies of other states admitted to do business in the State of New York pursuant to chapter 286. Laws of 1909, are required to pay to the Superintendent of Insurance

1 per cent. of their gross premiums or assessments collected or received by them for insurance upon property situate within the state. (Section 149a, Insurance Law.)

Retaliatory provisions for other or greater taxes by other states.

FEES AND TAXES

IMPOSED BY OTHER STATES ON NEW YORK STATE COMPANIES

(It is understood that the following charges are minimum, the superintendents, commissioners or other officers in charge of the various states having no authority to remit.)

Alabama

Fees:

Company's license, renewable annually.....	\$101 00
Agent's license, each member of firm.....	3 50
Permit, secretary of state.....	10 00

Fees not prorated.

Taxes.— Fire and marine companies. One and one-half per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies; one-fifth of one per cent. on gross premiums, less return premiums, Fire Marshal Tax. Life and miscellaneous companies. Two per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies.

After the year 1911 no license or privilege tax or other charge for the privilege of doing business shall be imposed by any municipal corporation upon any fire or marine insurance company doing business in such municipality, except upon a percentage of each one hundred dollars of gross premiums, less the premium returned by cancellation, on policies issued during the preceding year in such municipalities; provided that such percentage shall not exceed four dollars, on each one hundred dollars and major fraction thereof of such gross premiums; provided, however, that any municipality may charge a flat minimum license at the be-

ginning of each year for new companies doing business therein on which there shall be an adjustment at the expiration of such year upon such percentage basis as may be fixed by said municipality; and provided further, that such percentage shall not exceed four per cent. of the gross premiums collected, less return premiums received by such companies on policies issued during the preceding year in such municipality. And in addition to said amount paid the state, there may by ordinance be levied and collected by the several cities and towns of the state from every insurance company other than fire and marine insurance companies, for the privilege of doing business within the limits of said cities and towns, a privilege or license tax, to be computed and based on the population of said cities and towns as fixed by the last federal census, not exceeding the following scale, to wit:

1. Each such insurance company in cities and towns having a population of five thousand or less, ten dollars, and one dollar on each hundred dollars and major fraction thereof gross premiums, less the premiums returned by cancellation, received during the preceding year on policies issued during said year to citizens of said cities and towns.

2. Each such insurance company in cities and towns having a population of five thousand and not over ten thousand, fifteen dollars, and one dollar for each one hundred dollars and major fraction thereof of gross premiums, less the premiums returned by cancellation received during the preceding year on policies issued during said year to citizens of said cities and towns.

3. Each such insurance company in cities and towns having a population of ten thousand and not exceeding fifty thousand, twenty dollars, and one dollar on each one hundred dollars and major fraction thereof of gross premiums, less the premiums returned by cancellation received during the preceding year on policies issued during said year to citizens of said cities and towns.

4. Each such insurance company in cities and towns having a population of more than fifty thousand, fifty dollars, and one dollar on each one hundred dollars and major fraction thereof of gross premiums, less the premiums returned by cancellation received during the preceding year on policies issued during said year to citizens of said cities and towns.

Two per cent. of gross life premiums.

*Mutual Aid Associations**Fees:*

License	\$21 00
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Taxes.— One per cent. of premiums received.

Retaliatory provisions for greater charges by other states.

Publication

Abstracts of statements required to be published in a newspaper of general circulation.

Publication to be at expense of company, and can be done by company direct, or the department will place such advertising. The usual charge for same is \$10. No statute fixes such charge.

Alaska

Fees: (Payable to secretary of the territory of Alaska.)

Filing certificate of qualification.....	\$5 00
Filing power of attorney.....	5 00

Fraternal beneficiary associations pay no fees.

Taxes.— One per cent. of amount of all premiums received by licensed insurance companies. In case of such insurance premiums being paid to companies not licensed to do business in the territory of Alaska Mutuals or Lloyds, such tax shall be paid by the insured.

Arizona*Fees:*

For filing articles of incorporation.....	\$25 00
For filing amendments of articles of incorporation.....	10 00
For issuing certificate of authority.....	50 00
For each renewal of certificate of authority.....	30 00
For filing annual statement.....	25 00
For copies of papers, per folio.....	20
For filing other miscellaneous papers (each).....	1 00
For each agent's license.....	2 00
For filing power of attorney, service of process.....	5 00

Taxes.— Two per centum of all premiums collected or contracted for in the state, less amount paid to policyholders as return premiums and amount paid as premiums to admitted companies for reinsurance on business of the state.

All fees and taxes subject to retaliatory law.

Arkansas*Surety Companies**Fees:*

Filing copy of charter.....	\$15 00
Filing annual statement.....	10 00
Agent's license	2 00
Certificate of authority to company.....	2 00

All Other Companies

Filing copy of charter.....	\$15 00
Filing annual statement.....	10 00
Certificate of authority.....	2 00
Agent's license (one to each soliciting member of a firm).....	2 00

Reciprocal provisions govern fees charged other state companies for filing articles of incorporation; but a foreign corporation must pay the fee charged by the state where its principal United States office is located.

Foreign unincorporated concerns must pay a fee of \$500 to do business.

Taxes.—Life and casualty companies—pay into the treasury a tax of $1\frac{1}{2}$ per cent. on gross premium receipts, whether such premium receipts be in cash or in the shape of notes or other evidences of credit. Fire companies—pay into the treasury a tax of $1\frac{1}{2}$ per cent. on gross premium receipts after deducting return premiums and authorized reinsurance only.

Annual Franchise Tax:

All companies with outstanding capital less than \$500,000.....	\$100 00
All companies with outstanding capital of more than \$500,000...	200 00
Mutual companies with no capital.....	50 00

There is a penalty of 25 per cent. if not paid on or before August 10th.

Copy of records, 20 cents per folio and \$1 for seal.

No publication required, but it is the practice of the department to publish a brief annual report showing the assets and liabilities, business written, renewals, cancellations and business in force at the end of previous year. State pays for this. One and one-half per cent. on gross premium is in lieu of all other taxes, state, county or municipal.

California

Fees:

Filing certified copy of charter or articles of incorporation and certificate as to organization and capital and assets.....	\$55 00
Filing annual statement.....	20 00
For filing amendment to articles of incorporation.....	10 00
Filing appointment of general agent and stipulation for service of process	5 00
Filing bond of company.....	5 00
For issuing annual certificate of authority.....	10 00
Agent's license (each agent and solicitor).....	1 00
Filing certificate of deposit of companies organized outside of the United States only.....	5 00
Issuing certificate of deposit.....	5 00
For furnishing copies of papers, per folio.....	20
For certifying to copies of papers.....	1 00
For registering each policy.....	1 00
For attaching seal of office to any paper or document (not above specified)	1 00
For issuing any other certificate.....	2 00

Taxes.—All companies, $1\frac{3}{4}$ per cent. of gross premiums received in the state less return premiums, reinsurance in authorized companies or associations, subject to action of retaliatory law.

Publication.—Abstract of annual statement must be published daily for one week or four consecutive times in weekly newspaper in city where principal office in California is located.

Colorado

Fees:

Filing the certified copy of articles of incorporation, on the organization of each company.....	\$50 00
Filing power of attorney and statement preliminary to admission.....	50 00
Filing copy of its charter or deed of settlement, and examination thereof same as secretary of state (generally \$30).....	30 00
Filing annual statement.....	50 00
Certificate of authority to transact business in this state, renewed annually	5 00
Each copy of certificate of authority for use of agents and solicitors to each member of firm.....	2 00
Each copy of any paper filed, per folio.....	20
Affixing the seal of the office, and certifying any paper.....	1 00

Taxes.—Two per cent. of gross premiums received on business written or renewed in the state, less net reinsurance premiums

paid to companies authorized to do business in this state and for return premiums on risks cancelled other than reinsurance risks.

Publication.—Abstracts of annual statements must be published at least four times in a Denver newspaper of general circulation. A copy of such publication must be filed with the commissioner of insurance.

Connecticut

Fees:

Filing copy of charter (surety companies only).....	\$10 00
Filing preliminary statement.....	10 00
Filing annual statement.....	10 00
Filing any additional paper required by law.....	25
License to company, annual.....	10 00
Agent's certificate of authority issued to a corporation only.....	4 00
Nonresident broker's license.....	10 00

Foreign Companies

Filing copy of charter.....	\$30 00
Filing preliminary of annual statement.....	20 00
License to company, annual.....	50 00
Agent's certificate of authority.....	2 00

Reciprocal provisions for fees, for valuing life insurance policies and for taxes.

Taxes.—Two per cent. gross premiums, from foreign companies (of other countries).

Delaware

Fees:

Filing certified copy of charter.....	\$10 00
Filing annual statement thereafter.....	10 00
Publication of abstract of annual statement (estimated).....	5 00
Certificate of authority to company.....	27 00
Agent's certificate of authority.....	2 00
State license	5 50

Certificate of authority and state license are transferable.

Three dollars for seal.

Taxes.—On fire and miscellaneous insurance companies $1\frac{1}{2}$ per cent. of gross premiums, which is defined by statute as follows: Where the words "gross premiums" are used in reference to pre-

miums received by fire insurance companies on policies covering risks located within the state of Delaware the same shall be taken and held to mean all moneys collected as premiums on such policies, less return premiums paid therefrom by reason of cancellation of policies and less reinsurance premiums received from companies authorized to do business in this state and which pay to the state taxes on the original premiums.

Payable to the insurance commissioner. In addition there must be paid to the state treasurer a franchise tax of $\frac{3}{4}$ of 1 per cent. on such premiums.

On life insurance companies 2 per cent. of gross premiums. Retaliatory provisions for greater charges by other states.

Fraternal Beneficiary Associations

Fees:

Filing statement and copy of charter with application.....	\$10 00
Filing annual statement thereafter.....	10 00
Publication charges	5 00

Publication.—Abstracts of annual statements are made by the insurance commissioner in three newspapers for three issues. The commissioner pays the bill from moneys assessed.

District of Columbia

Fees:

Filing certified copy of charter or articles of incorporation and appointment of attorney, including annual license.....	\$10 00
Policy-writing agent's annual license.....	50 00
Broker's annual license.....	50 00
Ordinary solicitor's annual license, individual.....	5 00
Industrial solicitor's annual license.....	2 00
Fraternal beneficial association's annual license.....	5 00

Taxes.—Fire companies, except mutual fire, $1\frac{1}{2}$ per cent. of gross premiums received in the district, less return and reinsurance premiums.

Health, accident and life companies or associations must pay a tax of 1 per cent. on the total amount collected from policy or certificate holders.

Publication.—Annual statements must be published by the company once in one paper in March of each year.

Not required of fraternal beneficial associations.

Florida

For filing charter or articles of incorporation \$2 upon each \$1,000 of capital stock. The tax, however, not to exceed \$250 in any case, to be paid only once when the company enters state. The secretary of state is entitled to a fee of \$5 in this connection.

Fees:

Filing annual statement.....	\$10 00
Annual state license	200 00
Annual license for plate glass insurance companies.....	50 00
Agent's license, each member of firm.....	5 00
Counties, cities and towns may require a license fee for agents not to exceed	2 50
License for traveling agent or solicitor.....	25 00
License for each adjuster.....	10 00
License for each rate agent.....	25 00

Counties, cities and towns may require a license fee for traveling agents or solicitors of \$5 for each county in which business is done.

Taxes.—Two per cent. of gross premiums received in the state.

Sick and Funeral Benefit Insurance Companies

Annual state license.....	\$100 00
Local agent's license	5 00
Traveling agent's license.....	25 00
For filing annual statement.....	5 00

Fraternal beneficiary associations pay no fees.

State licenses are renewable October 1. If issued after April 1, half the above fee is charged.

Publication.—The state treasurer shall annually in the month of February publish in some newspaper published at the capital a list of all insurance companies, associations, firms or individuals authorized to do business in this state, showing in tabular form the assets, liabilities, and other essential data and information regarding the statements made and accepted.

Georgia*Fees:*

Fire insurance companies in lieu of all other fees.....	\$200 00
Filing annual statement, all other companies.....	20 00
Filing copy of charter or certificate of no change in charter since last filing	20 00
Agent's license (one to a firm).....	3 00
Beneficiary order's license (no other fees or taxes).....	40 00
State agents, assessment companies.....	25 00

Taxes.— One per cent. of gross premiums received on all direct business in the state. (Fire and marine companies deduct return premiums.)

Local agent's occupation tax (fire and life companies).....	\$10 00
State agent's occupation tax (life and fire companies).....	50 00

Publication.— The semi-annual statements made to the governor are required to be made one time in a paper of general circulation in this state, the companies bearing the expense and making the selection of the paper in which the publication is to be made.

Hawaii*Fees:*

Filing copy of articles of incorporation.....	\$25 00
Filing annual statement.....	10 00
Filing annual statement of business in the territory.....	10 00
Filing power of attorney.....	1 00
Stamp duty for same.....	1 00
Filing any other paper.....	1 00
Certificate of authority.....	10 00
Certificate of authority stamp duty.....	50
Agent's license	2 00
Agent's stamp duty.....	50

Copy of records, 25 cents per folio and \$1 for seal.

Taxes: Fire and Marine.— A tax of 2 per cent. on the gross premiums received, less (1) return premiums, (2) reinsurance in authorized companies, when such reinsurance is placed through or with local agents.

Life.— A tax of 2 per cent. on gross premiums received, less (1) return premiums, (2) reinsurance in authorized companies, when such reinsurance is placed through or with local agents, (3) actual operating and business expenses.

Accident, etc.—A tax of 2 per cent. on the gross premiums received, less (1) return premiums, (2) reinsurance in authorized companies, when such insurance is placed with or through local agents.

Idaho

Corporation Law.—Each accident, health, life, fire, marine, inland, casualty or fidelity company, upon application for entry to this state, must furnish the insurance commissioner two copies of their articles of incorporation and one copy of designation of agent, one copy of each being filed in his office and one copy of the articles of incorporation being filed with the secretary of state, and each company must pay the usual fee to the above department for filing such papers.

The publication of annual statement is exacted from life insurance companies only. The statutes provide that every company, corporation, association or society transacting business of life insurance within the state of Idaho shall publish or cause to be published as soon as possible after the 1st day of January, and prior to the 1st day of April in some paper published in the state capital, a statement showing the exact condition of their affairs on the last day of the month of December preceding. Only one insertion is required and in but one paper. For the accommodation of the life insurance companies the department has made it a practice to attend to the necessary publication of their annual statement on a blank form prepared for this purpose. There is no objection, however, to companies taking care of the matter of publishing themselves if they so desire. Cost is \$10.

State Deposits Required of Surety Companies.—Idaho statutes provide for a deposit with the state treasurer of \$25,000 in money, bonds or other securities, to be approved by the insurance commissioner. Such deposits shall be for the benefit of the holders of obligations of a surety company, to remain in the state treasury in trust to answer any default of said companies as surety upon any such obligations. The companies, however, have at all times the right to collect the interest, dividends and benefits upon all such securities.

Fees and Requirements

Life, fire and miscellaneous companies upon entry must file with insurance department:

1. Financial statement under oath of proper officers.
2. Two certified copies of charter or articles of incorporation; one for insurance department and one copy for secretary of state.
3. One copy of power of attorney or legal agent for service of process, executed in favor of "Insurance Commissioner or his successor in office" as required by law.
4. Certificate from insurance commissioner of company's home state showing that company is authorized in said state.
5. Certified copy of by-laws and all amendments thereto.
6. Certified copy last examination of company.
7. Certificate of deposit (American fire insurance companies excepted) showing not less than \$100,000 of proper securities on deposit in home state or some state of the United States for the protection of all policyholders. Deposit of \$200,000 required of alien companies. (See section 26, Insurance Law.)
8. Life and health and accident companies must submit all forms of policies issued for approval of this department; health and accident companies must also file rate book or manual.

*Fees upon Entry***Secretary of State's Fees:*

For filing charter or articles of incorporation:

Companies having no capital stock.....	\$5 00
When the authorized capital stock does not exceed \$25,000...	10 00
When the authorized capital stock exceeds \$25,000 and does not exceed \$50,000.....	20 00
When the authorized capital stock exceeds \$50,000 and does not exceed \$100,000.....	40 00
When the authorized capital stock exceeds \$100,000 and does not exceed \$500,000.....	60 00
When the authorized capital stock exceeds \$500,000 and does not exceed \$1,000,000.....	100 00
When the authorized capital stock exceeds \$1,000,000.....	150 00

* No stock insurance company admitted with less capitalization than \$100,000, and fire companies must have \$200,000.

Insurance Commissioner's Fees:

State license	\$50 00
Filing financial statement	50 00
Filing charter or articles.....	10 00
Filing power of attorney or legal agent.....	2 00

Annual Fees

Insurance Commissioner's:

State license	50 00
Filing annual statement.....	50 00
Publication annual statement (life only).....	10 00
For each agent's certificate (all classes).....	3 00

Taxes.—Two per cent. tax upon gross premiums less return premiums fire companies.

Two per cent. upon gross premiums life and casualty companies.

Live stock companies, assessment life and casualty companies and foreign mutual fire companies pay same fees as above to all offices.

Miscellaneous Fees

For each copy of company's state license.....	\$3 00
For copy of any paper filed in this office per folio.....	20
For affixing official seal and certifying any paper.....	1 00
For receiving and forwarding copy of summons or other process served upon commissioner as attorney for company.....	2 00

License year begins April 1st. Agents' licenses are transferable for unexpired portion of insurance year without cost.

Fraternal Beneficiary Associations

Fraternal beneficiary associations upon entry must file with the insurance department:

1. Certified copy of charter and articles of association.
2. Copy of power of attorney or legal agent for the service of process, executed in favor of "Insurance Commissioner or his successor in office," as required by law.
3. Financial statement under oath by duly authorized officers of association.
4. Certified copy of by-laws and all amendments.

5. Certificate from insurance commissioner of home state, showing that association is authorized in said state.

6. Copies of all benefit certificates or policies issued.

7. Certified copy of last examination of society.

Fees upon Entry

Filing financial statement	\$25 00
Filing charter or articles of association.....	10 00
Filing power of attorney or legal agent.....	2 00
Annual permit	5 00

Annual Fees

Filing annual statement.....	25 00
Annual permit	5 00

The payment of entry fees entitles society, if permitted to enter, to transact business for the insurance year without further fees.

Illinois

Fees:

Filing the declaration or certified copy of charter.....	\$30 00
Filing annual statements except fraternal societies.....	10 00
Filing annual statements, fraternal societies.....	5 00
Agent's license (one to a firm).....	2 00
Issuing licenses to fraternal societies.....	10 00

The department does not issue annual licenses or certificates of authority to insurance companies. The license which is issued when company is admitted to state continues its authority to do business in the state until company fails to comply or the license is revoked.

Taxes.—The net receipts of all companies are taxed locally as personal property. An additional 2 per cent. of gross receipts of fire and marine companies may be levied by cities having fire departments.

Retaliatory provisions for other taxes.

Publication.—Annual statement of fire, marine, fidelity, surety and casualty insurance companies must be published in two newspapers, one in Springfield and the other in Chicago, for fifteen days, charge \$80.

Life insurance companies are required to publish annual statement in two newspapers, one in Springfield and the other in Chicago, for one month, charge for same \$105.

Publications attended to by this department.

Fees

§ 27. There shall be paid by every company, association, person or persons, or agent, to whom this act shall apply, the following fees: For filing the declaration or the certified copy of a charter herein required, the sum of thirty dollars; for filing the annual statement required, ten dollars; for each certificate of authority to agents of companies or associations not incorporated under the laws of this state, two dollars; for each certificate of authority to agents of companies incorporated under the laws of this state, fifty cents.

Fire Marshal Tax.—One-fourth of 1 per cent. of gross premium receipts.

Fees:

Indiana

Filing and examining annual statement.....	\$25 00
Certificate of authority.....	5 00
Agent's license (individual or firm).....	3 00
Two copies of statement for publication.....	2 00

Taxes.—Three per cent. of gross premiums received in the state less losses paid in the state, and return premiums on cancelled policies. Abstracts of annual statements published twice in two newspapers. Attended to by the department.

Assessment Life and Casualty Companies

Fees:

On admission	\$45 00
Filing annual statement.....	25 00
Agent's license	1 00

Publication:

All companies, per year.....	48 00
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Iowa*Fees:*

Filing copy of charter or articles of incorporation.....	\$25 00
Filing annual statement.....	20 00
Certificate of authority renewed annually.....	2 00
Agent's license (one to each member of a firm).....	2 00
Two certificates of authority for publication (fire and casualty companies)	4 00
One certificate of authority for publication (assessment associations).....	2 00
Filing statement and issuing certificate of authority, fraternal societies (no other fees).....	25 00

Taxes.—Two and one-half per cent. of the gross amount of premiums received for business done in the state, including all insurance upon property situated therein, *less the amount of premiums returned upon cancelled policies issued upon property situated in the state.* (Fire companies only.)

Two and one-half per cent. of gross premiums received in the state. (Life, fidelity and casualty companies only, without deduction.)

Publication.—Abstracts of annual statements of fire, fidelity and casualty companies are required to be published by the auditor of state once in two newspapers. Fee fixed by law at \$6 for each publication.

Certificates of authority to assessment associations are required to be published once a week for four weeks in some newspaper of general circulation. Fee not fixed, but the usual charge is \$12.

Retaliatory provisions for greater charges by other states.

Kansas*Fees on Application for Admission:*

Fraternal beneficiary societies	\$25 00
Assessment life and accident insurance companies.....	115 00
All other insurance companies	150 00

Annual Fees:

Annual license, annual statement and certificate of authority for assessment life and accident companies.....	115 00
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On Filing Annual Statement:

Fraternal beneficiary societies.....	\$20 00
All other insurance companies.....	50 00
Agent's license (one to each member of firm).....	2 00
School fund fee to fire, life and miscellaneous insurance companies.	50 00

Taxes.—Two per cent. of gross premiums collected in the state.

Companies of other countries, 4 per cent. of gross premiums collected in the state. Allowance is made for return premiums on cancelled policies.

Fire companies pay in addition, 2 per cent. of gross premiums collected in cities having fire apparatus worth \$1,000.

Retaliatory provisions for other or greater charges by other states.

Kentucky

Fees:

For filing of charter or articles of incorporation.....	\$30 00
For filing annual statement.....	25 00
For license to each agent of companies other than life insurance companies and certificate of seal of office for each.....	3 00
For license to each agent of life companies and certificate of seal of office for each.....	5 00
For license to each agent of industrial life insurance companies and certificate of seal of office for each.....	2 00
For filing declaration of intention to form an insurance company.	30 00
For any additional or supplemental statement for the same year..	25 00
For seal of office with certificate.....	1 00
For copies of any paper on file or deposit with the commissioner or in his office, 20 cents per folio.	

For cost of making valuations under section seven hundred and fifty-six, not to exceed one cent on every one thousand dollars of insurance effected; and the commissioner is authorized to assess an equal amount upon each insurance company doing business in this commonwealth, to provide for any deficiency in defraying expenses of the insurance department. (For fees to be paid by co-operative fire companies, see section 722.)

Taxes.—Insurance companies of other states and foreign countries, 2 per cent. of gross premiums received in the state. (Fire and miscellaneous companies deduct return premiums and reinsurance in authorized companies.)

Fire insurance companies also pay one-half of 1 per cent. on their gross premium receipts to defray the expenses of the fire marshal's department. This tax to be collected by the insurance commissioner as other taxes on insurance companies are collected.

Fire insurance companies, by an act approved March 4, 1912, henceforth will have to pay annually into the department for the support and maintenance of state insurance board twenty-five thousand dollars, less any unused balance of the year before, each company to pay such proportion of the amount as the gross premiums collected by the company during the preceding year from persons or upon property located in Kentucky bears to the aggregate amount of gross premiums so collected by all insurance companies transacting business in Kentucky; provided that in computing such gross premium receipts there shall be deducted therefrom the amount paid out for reinsurance and for return premiums on cancelled policies. Purely mutual profit-sharing and co-operative companies and associations are exempt from this charge.

Retaliatory provisions for other or greater charges by other States.

Louisiana

Fees.—But one state license is required. It is based on the gross premiums received in the state. (Fire insurance companies deducting return premiums and reinsurance in authorized companies.) For companies entering the state between January and July license is computed on the business done during the first two months, multiplied by six. Companies entering the state after July pay half-yearly license. Every municipal corporation, where an agent is domiciled, may collect the same license as the state; the city of New Orleans is the only one demanding it.

The following table shows the graded licenses of fire and marine companies:

\$10,000 or less	\$150 00
\$15,000 and less than \$20,000.....	225 00
\$20,000 and less than \$30,000.....	300 00
For each additional \$10,000, or part, until the receipts amount to \$300,000	150 00
Life insurance companies, \$30,000.....	120 00

For each additional \$10,000, or part, until receipts amount to \$1,500,000	\$60 00
Certificate of authority	10 00
Agent's license (one to a firm)	2 00
Filing annual statement	15 00
Seal of office with certificate	1 00
Filing, recording and furnishing certified copy of power of attorney to secretary of state	5 00
Copying or recording, 25 cents per hundred words.	

Benevolent or Fraternal Associations

Benevolent or fraternal societies or associations, employing solicitors or agents, pay for licenses as follows:

When gross annual receipts amount to \$50,000 or more	\$375 00
\$40,000 and less than \$50,000	300 00
\$30,000 and less than \$40,000	225 00
\$20,000 or less	150 00

Publication.—Abstract of annual statement of fire companies, showing Louisiana business, must be published for thirty days in two newspapers. The company makes its own publications and selects the newspapers for publication.

Fire Marshal Tax.—Two-fifths of 1 per cent. of gross premium less reinsurance in authorized companies and return premiums of fire insurance companies to defray fire marshal's expenses.

Maine

Fees:

Certificate of authority on admission, renewable July 1st (renewal not required of fraternal associations)	\$20 00
Agent's license, renewable July 1st (firms, \$2 for each member) . .	2 00

Taxes.—One and one-half per cent. of gross premiums received in the state less return premiums, premiums on reinsurance in authorized companies and premiums on farm property.

Inter insurers, 2 per cent. on gross premiums or deposits, less amounts actually returned to policyholders.

Fraternal associations pay no taxes.

Retaliatory provisions for other or greater charges by other states.

Publication.—All companies except life and assessment and fraternal associations are required to publish abstracts of annual statements once a week for three weeks in each county in which there is an agency. No charge fixed.

Maryland*Fees:*

Certificate of authority, life companies.....	\$300 00
Certificate of authority, fire and marine companies.....	100 00
Certificate of authority, casualty and surety companies of foreign countries (not required of similar United States companies, but this exemption of United States companies does not apply to any company that insures automobiles against fire).....	100 00
Certificate of authority, fraternal beneficiary associations.....	25 00
Filing charter or articles of incorporation.....	25 00
Filing statement	25 00
General agent's license (any company).....	10 00
Sub-agent's license, fire and marine companies (one to a firm)...	10 00
Sub-agent's license, life and casualty companies (one to a firm) ..	2 00
Abstracts for publication (two in Baltimore and one in each county where company was represented in preceding year), each	2 00

Taxes.—Fire and marine companies, 2 per cent. of gross premiums received in the state, or in Maryland risks, less return premiums and reinsurance in authorized companies.

Life and casualty companies, $1\frac{1}{2}$ per cent. of all premiums contracted to be paid or actually collected, received, allowed or secured in the state, or from residents thereof.

Fraternal beneficiary associations are not taxed on premium receipts.

Publication.—Abstracts of annual statements are published by the department once a week for three consecutive weeks in a daily newspaper published in the city of Baltimore. The companies must in addition publish said abstract in another paper three times. Every company doing business in any of the counties of the state is also required to publish an abstract of its annual statement in at least one newspaper in each county in which it transacted business in the preceding year for three times.

Unauthorized Insurance.—Holders of policies in unlicensed companies are required to file with the commissioner a statement describing the policies, and to pay thereon a tax of 5 per cent. of the premiums, also \$1 on each policy for making record. Persons who file an affidavit setting forth that they are unable to obtain insurance in licensed companies are required to pay only the fee for recording, and are exempt from the premium tax.

Massachusetts*Fees:*

Filing copy of charter.....	\$30 00
Filing statement on admission.....	20 00
Filing annual statement	20 00
Agent's license, renewable July 1st in each year, one to a firm (not required of assessment and fraternal companies).....	2 00

License to company expires June 30th. No fee for renewal of same except retaliatory.

No fee for valuing life policies of foreign companies except under retaliatory provision.

Fraternal orders, after January 1, 1912, are to pay \$20 for certificate of authority and for each renewal.

Retaliatory provisions for other or greater charges by other states.

Taxes.—(The collection of taxes is by tax commissioner and not insurance department.)

Life companies, one-fourth of 1 per cent. on net value of Massachusetts policies; also retaliatory premium tax.

Fire and marine companies, 2 per cent. of premiums less reinsurance if effected through a Massachusetts licensed agent in authorized companies, returned premiums and unused balances on notes taken for premiums on open policies.

All other companies, 2 per cent. of premiums with deductions as above.

Assessment and fraternal companies are not taxed.

Michigan

Fees.—Retaliatory provisions govern all fees.

Taxes.—Fire and marine companies, 3 per cent. of gross premiums received in the state, less return premiums and reinsurance premiums received when the tax has been paid on the original premium. Casualty companies, 2 per cent. on gross premiums received in state, less return premiums and reinsurance premiums received when the tax has been paid on the original premium.

All other companies, 2 per cent. of gross premiums received in the state.

Assessment associations pay no taxes.

Publication.—Statement of fire companies required to be published on admission only.

Fees:

Minnesota

Filing copy of charter or articles of incorporation.....	\$30 00
Filing annual statement.....	20 00
Certificate of authority.....	2 00
Renewal certificate of authority.....	2 00
Agent's license (one to each member of a firm).....	2 00
Renewal of agent's license.....	2 00
Valuing life policies, one cent for each \$1,000 valued, except in case of assessment policies valued as yearly renewable term, when charge shall be \$10 per day.	
Three abstracts of annual statement for publication.....	10 00
License to place insurance with unauthorized companies.....	10 00
Broker's license	10 00
Accepting valuations of policies of other states.....	50 00
Filing certified copy amendment to articles of incorporation.....	10 00
For each certificate including certified copy of certificate of authority, renewal, valuation of life policy, corporate condition or qualification	1 00
For receiving and forwarding a copy of summons or other process served upon commissioner of insurance, as attorney for any insurance company	2 00
Copy of records, 20 cents per folio and \$1 for certifying same.	

(Provided, that, when by the laws of any other state or nation any fines, penalties, license or fees additional to, or in excess of those imposed by this state upon foreign insurance companies and their agents, are imposed upon insurance companies of this state or their agents, doing business in such state, the same fines, penalties, licenses, and fees shall be imposed upon all insurance companies of such state and their agents doing business in this state, so long as such laws remain in force.)

Taxes.—Two per cent. of the "gross" premiums less return premiums "on all direct business" received by any foreign or domestic company, except town and farmers' mutual insurance companies, in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year. In the case of every domestic company such sums shall be in lieu of all other taxes except those upon real property owned by it in this state. In the case of every foreign company such sums shall be in lieu of all other taxes, except those upon real and personal property owned by it in this state.

In addition every foreign fire company doing business in any city wherein a salvage corps has been established pursuant to law for which such company or its agents for it are not otherwise subject to taxation, shall at the same time pay to the treasurer of the duly authorized board of underwriters therein a tax equal to 2 per cent. of the gross amount of premiums received by it, or for it, in such city.

The above mentioned taxes shall not apply to any corporation, association, or society engaged in the business of life insurance upon the co-operative or assessment plan, or to any such corporation, society or association, engaged in the business of casualty insurance upon the co-operative or assessment plan.

Section 23. For the purpose of maintaining the department of state fire marshal and paying all the expenses incident thereto, every fire insurance company doing business in the state of Minnesota, shall hereafter pay to the state treasurer on or before March 1, 1914, and annually thereafter, a tax upon its fire premiums or assessment, or both, as follows: A sum equal to three-eighths of 1 per cent. of the gross premiums and assessments, less return premiums, on all direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, including premiums on policies covering fire risks only on automobiles, whether written under floater form or otherwise, provided, however, that this act shall in no way affect the tax due March 1, 1913, and the payment thereof. In the case of a mutual company the dividends paid or credited to members in this state shall be construed to be return premiums. The money so received into the state treasury shall be set aside as a special fund and is hereby appropriated for the maintenance of such office of state fire marshal and the expenses incident thereto. The state shall not be liable in any manner for the salary of said fire marshal, his chief assistant, deputies, clerks and other employees or for the maintenance of the office of fire marshal or any expenses incident thereto, and the same shall be payable only from the special fund provided for in this section.

Publication.—When the statement of an insurance company has been approved by the commissioner, a summary of such statement, prepared by the commissioner, together with his certificate

of approval, shall be published, and proof of publication filed with him before May 1st following, in default whereof he shall have such publication and proof made at the expense of the company. The publication shall be made in the place of the company's home office, if within the state, otherwise in each of the three most populous counties of the state, and in all cases at least three times, and in a daily newspaper, conforming to the requirements of section 5515, Revised Laws, 1905, which will accept and publish such advertisement, at the rates prescribed by law for legal publications, if there be one, but if not, then in a weekly newspaper having a general circulation in the county of its publication. Such newspaper shall be entitled to charge and receive for such publication not to exceed the rate prescribed by law for legal publications.

Fraternal Orders

Fees:

Certificate of authority or renewal..... \$10 00

(No charge for filing copy of charter or articles of incorporation, or any amendment thereto. Statement required to be filed, but no abstract thereof to be published.)

Mississippi

Fees:

Filing charter or articles of incorporation (fraternal orders only) .	\$25 00
Filing preliminary statement	20 00
Filing annual statement	10 00
Certified copy of same.....	5 00
Filing any other paper required by law.....	1 00
For each license issued to a life or fire insurance company or association, or to any company or association of companies operating a separate or distinct plant or agency in the state, or for each license issued to an accident, marine, surety, plate glass, or any other insurance company or association.....	100 00
Privilege license fraternal orders.....	25 00
Privilege license all other companies.....	100 00
Certificate of authority, general agents.....	3 00
Certificate of authority, agents.....	2 00
Certificate of compliance	2 00
Designation of commissioner for service of process.....	1 00
Service on commissioner	2 00
Examination, in addition to expenses incurred per diem.....	25 00
Copy annual statement	5 00
Publication of annual statement.....	9 00
Abstract of annual statement for filing with chancery clerk.....	2 00

Copy of records, 10 cents per 100 words.

Taxes.—Life companies, $2\frac{1}{4}$ per cent. of gross premium receipts in the state less death claims, matured endowments, and cash dividends paid under policy contracts in the state during the year.

All other companies, $2\frac{1}{2}$ per cent. of gross earnings less return premiums.

Fire companies pay one-fifth of 1 per cent. for fire marshal tax.

Fraternal orders pay no premium taxes.

Missouri

Fees on Admission:

Assessment life and accident companies.....	\$50 00
Stipulated premium companies	25 00
Fraternal beneficiary associations.....	5 00
All other companies (including certificate).....	61 00

Annual Fees:

Filing annual statement (United States fire and marine companies)	30 00
Regular life and miscellaneous companies.....	30 00
Filing other papers	10 00
Filing annual statement and issuing certificate of authority, stipulated premium companies	25 00
Filing annual statement and issuing certificate of authority to assessment life and accident companies.....	50 00
Filing annual statement and issuing certificate of authority to fraternal beneficiary associations	5 00
Certificate of authority, fire, regular life and miscellaneous stock companies, annually	1 00
Certificate of authority, all other companies, annually.....	1 00
Agent's license, stipulated premium companies.....	1 00
Agent's license, all other companies and associations.....	2 00
Agent's license, unauthorized companies.....	10 00
Broker's license	10 00

Reciprocal provisions govern agents' licenses and all other fees.

Taxes.—Stipulated premium companies 1 per cent. of gross premiums received in the state.

The agent or agents of any fire insurance company doing business in any city in the state having a population of more than 100,000 inhabitants, in addition to the tax on premiums, shall pay to the collector of said city (if said city shall so declare by ordinance) on or before the first day of February of each year not

more than \$100 for the use of said city, which shall be considered in full for and in lieu of all taxes and licenses which said city may possess the power to impose on said agent.

All other companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies. In collecting the 2 per cent. tax of casualty or fidelity insurance companies, no credit is given for reinsurance.

Agents pay 5 per cent. of premiums on "excess lines," and 2 per cent. of premiums on insurance in unauthorized companies.

Retaliatory provisions for other or greater charges by other states.

Montana

Fees:

Filing charter and examination of papers on admission.....	\$300 00
Filing annual statement	25 00
Agent's license	5 00
Publishing auditor's certificate of authority.....	9 00

A certificate of authority is issued to each company at the beginning of the year authorizing them to transact business during that year upon payment in advance of \$125, which is 2½ per cent. tax on \$5,000 in premiums; on premiums in excess of \$5,000 a tax of 2 per cent. is charged. Companies which write more than this are required to renew the certificate as they approach an excess of this amount. Fire and miscellaneous insurance companies are permitted to deduct return premiums on cancelled policies in making their return of gross premiums upon which the tax is charged.

Publication.— Auditor's certificate of authority including condensed statement of company, only publication required. Publication attended to by auditor.

Nebraska

Fees on Admission:

Fire, life and miscellaneous companies.....	\$50 00
Fraternal beneficiary associations.....	10 00

Annual Fees:

Filing annual statement, fraternal orders.....	10 00
Filing annual statement, all other corporations.....	20 00
Certificate of authority (annual).....	2 00
Agent's license (individual).....	2 00

Taxes.—Section 58. Each and every fire insurance company organized under the laws of any other state or country and transacting business in this state, shall be taxed in the county, town, city, village and school district where the agent conducts the business, upon the gross amount of premiums received by it for insurance written upon property within the state during the preceding year. Such gross receipts to be taken as an item of property of that value and to be assessed and taxed on the same percentage of such value as other property. The agent shall render the list and be personally liable for the tax. If he refuses to render the list or to make affidavit that the same is correct, the amount may be valued and assessed according to the best information of the assessor.

4980. Sec. 59 (*Foreign Life and Accident Companies*). Every life insurance and accident insurance, or life and accident insurance company organized under the laws of any other state or country, and transacting business in Nebraska, except fraternal beneficiary associations and such mutual companies as operate on the assessment plan, have no capital stock and make no dividends, and whose scheme of insurance does not contemplate the return of any percentage of earnings or profits to policyholders, shall, at the time of making the annual statement as required by law, pay into the state treasury two per cent. of the gross amount of premiums received by it during the preceding calendar year for business done in this state, including all insurance upon the lives of persons residing in the state, whether such insurance was written during such preceding year or prior thereto. At the time of paying said taxes such companies shall take duplicate receipts therefor, one of which shall be filed with the state auditor. No certificate shall be issued by the auditor to or on behalf of any such company authorizing it to do or continue business in this state while any such percentage or tax remains due and unpaid.

4981. Sec. 60 (*Foreign Surety Companies*). Every surety company organized under the laws of any state or country other than the state of Nebraska, and transacting business in this state, shall, during the month of January of each year, make out and file with the state auditor an itemized statement verified by the president or vice-president, and secretary, showing in detail the

gross receipts from all business transacted in this state during the preceding calendar year, including the gross premium on all surety bonds or obligations of every kind, and shall at the same time pay into the state treasury as a tax on such business, two per cent. of such gross receipts. No certificate shall be issued by the auditor to any surety company, or agent thereof, authorizing it to do or continue business in this state while any such percentage or tax remains due and unpaid.

Fire insurance companies are taxed three-quarters of 1 per cent. of gross premium receipts to defray expenses of fire marshal.

All other companies, except assessment and fraternal beneficiary associations, 2 per cent. of gross premiums received in the state. No allowance is made for return premiums on cancelled policies, or for reinsurance.

Note.—We are advised by the auditor of the insurance department that in collecting taxes under section 33 of chapter 3897 (Reciprocal Law) credit is given for local taxes paid against the reciprocal percentage tax.

Nevada

Fees:

Filing power of attorney.....	\$5 00
License, casualty and surety companies.....	20 00
License, all other companies.....	100 00

Fraternal associations pay no fees.

Publication.—Copy of annual statement must be published by the company. Cost, \$20.

No agent's license required.

New Hampshire

Fees:

Filing copy of charter and by-laws.....	\$25 00
Filing statement with application and each annual statement....	15 00
Filing statement with application and each annual statement (fraternal associations)	5 00
Certificate of authority (renewed annually).....	5 00
Agent's license (one to each member of a firm).....	2 00
Service of legal process.....	2 00
Certificate	1 00

Taxes.— Fire, fidelity, casualty and assessment accident insurance companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies, if effected by licensed resident agents.

Life companies 2 per cent. upon gross premiums received upon business within the state during the year less payments to residents of the state on account of death losses paid within the year. *Provided, however,* that the tax assessed upon any such life company shall not be less than an amount equal to 1½ per cent. of the gross premiums received by it upon business done within the state during the year.

Retaliatory provisions for other or greater charges by other states.

An Act relating to Foreign Mutual Insurance Companies, Approved April 22, 1913.

Section 1. Mutual fire, or mutual employers' liability insurance companies incorporated under the laws of other states which insure only factories or mills or property connected with such factories or mills may be admitted to this state upon complying with the conditions set forth in the Public Statutes of this state and amendments thereto and shall comply with all the requirements of said statutes except that in lieu of all other taxation upon premiums in this state, such companies shall annually pay a tax at the rate of two per cent. on gross premiums in force on risks in this state after deducting the unabsorbed portion of such premium computed at the rate of return actually made on annual policies expiring during the year by said insurance companies. Such companies shall, on or before the 31st day of each January, make a return, under oath, to the insurance commissioner, showing the gross premiums in force on risks in this state on the 31st day of December previous and the unabsorbed portion of such premiums computed at the rate of return actually made on annual policies expiring during the year by said insurance companies.

New Jersey*Fees.*

Filing copy of charter.....	\$20 00
Filing statement on admission.....	20 00
Filing annual statement.....	20 00
Agent's license (one to a firm).....	2 00

Renewal certificate of authority to insurance companies required. No fee is charged for such renewal certificate except under retaliatory provisions of the law.

Other or greater fees governed by retaliatory provisions, except as to assessment life companies.

*Fraternal Beneficiary Associations**Fees:*

Filing copy of charter.....	\$10 00
Filing annual statement	5 00
License (required on admission only).....	5 00

Taxes.—Life companies are not taxed except in retaliation.

All other companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance premiums paid. Credit is allowed for payments to firemen's relief association by fire insurance companies. Retaliatory provisions as to greater taxes.

Fraternal beneficiary and assessment life associations are not taxed.

Publication.—Retaliatory provisions govern.

New Mexico*Fees:*

On admission	\$150 00
Filing annual statement	20 00
Certificate of authority (annual).....	2 00
Agent's license after February 1, 1909 (each member of firm required to have license).....	2 00

Copy of records, 20 cents per folio and \$1 for seal.

Taxes.—Two per cent. of gross premiums received in the state less returned premiums.

*Fraternal Associations**Fees:*

Filing annual statement..... \$5 00

Taxes — None.

Deposit.— Fire companies must deposit \$10,000 in cash or prescribed securities.

Surety companies deposit \$20,000 in cash or prescribed securities.

Retaliatory provisions for other or greater charges by other states or territories.

North Carolina*Fees:*

On admission	\$44 00
Filing and publishing annual statement.....	23 00
Annual fees, payable April 1.....	10 00
Certificate of authority, life companies.....	250 00
Certificate of authority, fire, marine and accident companies.....	200 00
Certificate of authority, all other companies or associations.....	100 00
Certificate of authority, fraternal orders.....	25 00
Special or district agent's license.....	3 00
Local or canvassing agent's license (individual).....	1 00
Organizer's license for fraternal orders.....	3 00

Taxes.— Two and one-half per cent. of gross premiums on all direct business received in the state less return premiums.

Fire insurance companies are taxed in addition to the above, one-fifth of 1 per cent. (semi-annually) of their gross receipts to defray expenses of investigation of incendiary fires and enforcing building laws.

Return premiums deducted in making tax returns.

No license taxes or fees collected by counties, cities, or towns.

Tax of one-half of 1 per cent. on the receipts of fire companies in towns and cities complying with the state building law and having fire departments, and at least \$1,000 equipment, for a firemen's relief fund.

Fraternal orders are not taxed on receipts.

Publication.— The law requires the commissioner to make and publish an abstract of all financial statements. He collects a fee of \$9 for this purpose. This fee is included in the admission fee

of \$44, and in the fee for filing annual statement of \$23. The general agents of the companies are permitted to select the newspapers if they do so within thirty days after filing the statement.

The annual license fee for companies entering the state, when over \$25, is prorated for the unexpired portion of the fiscal year.

North Dakota

Fees:

Filing articles of incorporation.....	\$25 00
Filing annual statement	10 00
Certificate of authority	2 00
For each copy of abstract for publication.....	2 00
Agent's license (one for each member of a firm or corporation) ..	2 00
Filing annual report of fraternal beneficiary associations and issuing permit	15 00

Copy of records, twenty cents per folio and \$1 for seal.

Retaliatory provisions for other or greater charges by other states.

Taxes.— Two and one-half per cent. of gross premiums received in the state, less return premiums on cancelled policies.

Publication of statement in each judicial district where company has agents or transacts business. Attended to by department.

Ohio

Fees:

Filing copy of charter or articles of incorporation.....	\$25 00
Filing annual statement	20 00
Certificate of authority, co-operative or assessment associations..	1 00
Certificate of authority, all other companies.....	2 00
Agent's license, co-operative or assessment associations (partnerships licensed same as individuals, but corporations and each officer or agent soliciting insurance must have separate license).	1 00
Agent's license, all other companies (partnerships and corporations licensed same as above).....	2 00
Certificate of compliance, for publication (one for each county in which there is an agent).....	1 00
Copy of papers, twenty cents per folio.	
Certifying and affixing seal	1 00

Co-operative or assessment associations may pay \$25 for licenses for all agents for the year without further charge.

Fraternal Beneficiary Associations

Fees:

Filing annual statement and all other papers and issuing license.. \$25 00

Taxes.— Two and one-half per cent. of gross premiums received from policies covering risks written in the state, less return premiums paid and reinsurance premiums *received*. Fire companies pay, in addition, one-half of 1 per cent. of gross *fire* premiums received in the state, less return premiums paid and reinsurance premiums *received*, for the maintenance of the office of state fire marshal.

Co-operative or assessment and fraternal beneficiary associations are not taxed.

Retaliatory provisions for other or greater charges by other states.

Publication.— Certificate of compliance which contains abstract of statement must be published by the company in each county of the state where the company has appointed agents, in a newspaper of general circulation approved by the department on or before October 1st.

Oklahoma

Annual Entrance Fees (Article 19, Constitution):

Foreign life insurance companies.....	\$200 00
Foreign fire insurance companies	100 00
Foreign accident and health insurance companies, jointly.....	100 00
Foreign surety and bond companies.....	150 00
Foreign plate glass companies, not accident.....	25 00
Foreign live stock insurance companies.....	25 00
Foreign fraternal companies	5 00

Fee for Filing Annual Statement.— Foreign life and miscellaneous, reciprocal; foreign fire, reciprocal.

Agents' Certificates of Authority:

Foreign companies, one for each member of firm.....	\$3 00
Domestic companies	50

Taxes.— On gross premiums, cancellations and reinsurances in authorized companies deducted: Two per cent. per annum (article

19, section 2, Constitution). Life insurance companies deduct dividends paid to policyholders in making tax return.

Fire marshal tax, one-fourth of 1 per cent. of gross premiums.

Copies of Papers:

Per folio	\$0 20
Affixing seal	1 00

Oregon

Fees:

Filing title (fire companies only).....	\$5 00
Filing power of attorney (all companies).....	5 00
Filing annual statement, mutual fire companies.....	10 00
Filing annual statement, all other companies.....	5 00
Annual license, fire and marine companies.....	150 00
Annual license, life, accident, casualty and surety companies.....	100 00
Issuing certificate of deposit, fire, marine and surety companies..	5 00
Certificate of authority, fire, life, casualty, surety and accident companies	5 00
Agent's certificate of authority, fire companies (expire Dec. 31st of each year)	1 00
Agent's license, life companies (annual).....	5 00
Agent's license, casualty, marine, fidelity and surety and all miscellaneous companies	1 00

Custody of deposit, fire companies, one-eighth of 1 per cent.

Taxes.— Two per cent. of gross premiums received in the state, less return premiums, losses paid and reinsurance premiums paid to authorized companies.

Pennsylvania

Fees:

Filing copy of charter.....	\$25 00
Filing annual statement	20 00
Certificate of authority, renewed annually.....	2 00
Agent's license (one to each member of a firm).....	2 00

Assessment Life, Sick Benefit and Accident Associations

Fees:

Filing annual statement	\$20 00
Certificate of authority, annually.....	2 00
Agent's license	2 00

Retaliatory provisions for other or greater charges by other states.

Taxes.— Two per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies.

Assessment life, sick benefit and accident associations are likewise taxed at same rate.

Rhode Island

Fees:

Filing copy of charter or deed of settlement.....	\$30 00
Filing preliminary statement.....	20 00
Filing annual statement	20 00
Agent's license (one to a firm).....	2 00
Broker's license	10 00
Printing and distributing abstract of annual statement (fire and accident companies only)	1 00

The original certificate of authority to a company is good until revoked; an annual fee, therefore, for renewal, is not required.

Taxes.— Stock companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies, unless there is a contract with the reinsuring company.

Mutual companies, 1 per cent. of premiums collected in the state.

Retaliatory provisions for other or greater charges by other states.

Publication.— Life companies are required to publish abstract of annual statement once a week for three successive weeks in March, in some newspaper published in the county in which the general agency is located.

Agents of fire companies and general agents of life and accident companies are required to file bonds with the general treasurer, in such sums as he may designate. A bond of \$200 is required of agents of fire and accident companies, and from \$500 to \$1,000 of agents of life companies.

South Carolina*Annual Admittance License Fees for Companies of Other States and Countries to do Business:*

Annual state license fee for all companies.....	\$100 00
Annual insurance department license fees as follows:	
Life insurance	50 00
Fire insurance, including marine.....	40 00
Marine insurance only.....	15 00
Accident and health insurance.....	40 00
Casualty insurance (which is taken to mean all forms of indemnity to the insured for loss on account of damage to things or to persons other than himself).....	40 00
Surety insurance (which means all forms of indemnity to the insured on account of misfeasance, default or debt of another) ..	40 00
All forms of insurance, not included above.....	50 00

Additional License Fees

On June 30th and December 31st each year all companies are required to pay 2 per cent. on premiums collected, less dividend credits and return premiums. If one-quarter of the reserve on South Carolina policies is invested in state, county and municipal bonds, first mortgage bonds of real estate, first mortgage bonds of solvent domestic corporations, whose property is situate entirely within the state, a reduction of one-fourth of 1 per cent. is allowed; so that, if the full reserve is so invested, this additional license fee is 1 per cent. on premiums collected, less dividend credits and return premiums. No other state and county taxes are assessable. Municipal license fees are permitted.

Fire companies pay a firemen's fund tax of 1 per cent. on premiums collected in towns having a fire department and fire apparatus of \$1,000 and upwards value.

Fire companies pay in addition a fire inspection tax of one-tenth of 1 per cent. of gross premiums received in the state, payable semi-annually to the insurance commissioner.

South Dakota*Fees:*

Filing articles of incorporation or charter.....	\$25 00
Filing annual statement	25 00
Agent's license	2 00
Copy for publication (not required of fraternal orders).....	2 00
Companies' license, annual	2 00
Agent's license, fraternal	50

Copies of records, twenty cents per folio and \$1 for seal.

Taxes.—Two and one-half per cent. of gross premiums received in the state, less return premiums on cancelled policies and reinsurance in authorized companies. Also fire marshal tax of one-half of 1 per cent. on net fire premium receipts. Assessment companies, 2 per cent. of gross premiums received. Not required of fraternal organizations. Stock and old line life companies, tax of 2½ per cent.; miscellaneous companies, 2½ per cent.

Publication.—Annual statement must be published in each judicial district in which there are policies issued. Not required of fraternal orders. Attended to by department.

Retaliatory provisions for other or greater charges by other states.

Tennessee

Fees on Admission:

Collected by the insurance department:

Fraternal orders	\$10 00
All other companies	30 00

Collected by the secretary of state:

Filing copy of charter of all companies and fraternal orders.....	20 00
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Tax for Filing Copy of Charter of All Stock Companies Graded as Follows:

Companies of \$50,000 and less.....	\$50 00
Companies of over \$50,000 and less than \$100,000.....	100 00
Companies of \$100,000 and less than \$200,000.....	150 00
Companies of \$200,000 and less than \$300,000.....	200 00
Companies of \$300,000 and less than \$400,000.....	250 00
Companies of \$400,000 and less than \$500,000.....	300 00
Companies of \$500,000 and less than \$750,000.....	400 00
Companies of \$750,000 and less than \$1,000,000.....	500 00
Companies of \$1,000,000 and less than \$2,000,000.....	750 00
Companies of \$2,000,000 and less than \$5,000,000.....	1,000 00

Companies of \$5,000,000 authorized capital stock and over shall pay \$1,500; provided that any company chartered under the laws of another state desires to locate its principal office and do all of its business in and from Tennessee and have all or its main prop-

erty holding in Tennessee, it shall then pay a privilege tax of one-tenth of 1 per cent. on the authorized capital stock, just as domestic corporations are now required to do; provided, also, that insurance companies shall be credited by the amount of fees paid to the insurance commissioner upon entering the state to do business.

Annual Fees:

Filing annual statement, life companies.....	\$25 00
Filing annual statement, fraternal orders.....	10 00
Filing annual statement, all other companies.....	15 00
Certificate of authority (one to each member of a firm).....	2 00

Valuing life policies, two cents for each \$1,000 of insurance in force.

Taxes.—Two and one-half per cent. of gross premiums received in the state, less return premiums and cash dividends, payable semi-annually.

Fire insurance companies pay one-half of 1 per cent. additional as fire marshal tax.

Each agent must pay the following occupation tax:

Beginning business in first quarter of the year.....	\$10 00
In second quarter	7 50
In third quarter	5 00
In fourth quarter	2 50

Fraternal orders pay no taxes and are not permitted to employ agents.

Copy of records, twenty cents per folio and \$1 for seal.

No publication required.

Texas

Fees:

Filing charter, or amendment, or certified copy of same.....	\$25 00
Filing annual statement	20 00
Issuing license	1 00
Two certificates of compliance for publication, 50 cents each.....	1 00
General agent's state occupation tax.....	50 00

(General agents of life companies pay no tax.)

*Fraternal Beneficiary Associations**Fees:*

Certificate of authority	\$10 00
Solicitor's or deputy's license.....	1 00

Taxes.—Two and six-tenths per cent. of gross premium receipts of fire, marine, casualty, credit guarantee and miscellaneous companies.

Three per cent. of gross premium receipts from life insurance companies, provided, however, that if 30 per cent. of the reserve apportioned on account of policies of insurance written upon lives of citizens of Texas is invested in promissory notes or other obligations secured by mortgage, deed of trust or other lien on Texas real estate, the tax shall be 2.6 per cent.; and when 60 per cent. of its total Texas reserve has been so invested, the tax shall be 2.3 per cent., and when 75 per cent. of its total Texas reserve has been so invested the tax shall be reduced to 2 per cent.

Publication.—Certificate of compliance must be published by company for three successive weeks in two newspapers.

Utah*Admission Fees:*

Filing certified copy of articles and by-laws.....	\$50 00
Filing acceptance of the provisions of the Constitution.....	3 00
Publication fee	8 00
Preparing abstract	5 00
Company's license	5 00
Agent's license	2 00

Annual Fees:

Filing annual statement.....	\$50 00
Filing list of authorized attorneys.....	1 00
Preparing abstract of annual statement for publication.....	5 00
Certificate of authority, renewable annually.....	5 00
Agent's license (one to a firm).....	2 00

Taxes.—All insurance companies engaged in the transaction of business of insurance in this state shall annually, on or before the first day of March in each year, pay to the commissioner of insurance $1\frac{1}{2}$ per cent. of the gross amount of premiums received less the amount of all premiums returned, within this state, during the year ending the previous 31st day of December; provided,

that if any insurance company shall have paid a property tax during said year, it shall be entitled to deduct from the tax therein provided the amount of such property tax paid for general state purposes.

Publication.—Abstracts of statements must be published four times within thirty days after issuance of company's certificate of authority in each year. Companies may select the papers in which publication is made, but they must be of those published at the capital.

<i>Fees:</i>	Vermont
Filing copy of charter.....	\$30 00
Filing annual statement.....	20 00
Certificate of authority (renewal annually).....	5 00
Agent's license (one to each member of a firm).....	2 00

Fraternal Beneficiary Associations

<i>Fees:</i>	
Permit to do business.....	5 00
Filing charter	5 00
Filing annual statement	5 00
Filing any additional papers required by law.....	25

Retaliatory provisions for other or greater charges by other states.

Taxes.—Two per cent. of premiums and assessments received in the state, less return premiums, cash dividends paid to policyholders in the state and reinsurance in authorized companies on risks for which the full premium has been collected by the company making the return.

Domestic companies in addition to premium tax pay a tax of 1 per cent. of surplus and state pays expenses of examinations of domestic companies.

A franchise tax of \$10 for the first \$50,000 of capital or deposit, and \$5 for each additional \$50,000, or part thereof, the whole not to exceed \$50, is collected from stock companies.

<i>Fees on Admission:</i>	Virginia
Stock companies with capital of \$50,000 or less.....	\$30 00
Stock companies with \$50,000 and not to exceed \$1,000,000, 60 cents per thousand or fraction thereof.	
Over \$1,000,000 and not to exceed \$10,000,000.....	1,000 00

FEES AND TAXES CHARGED BY OTHER STATES 1217

Over \$10,000,000 and not to exceed \$20,000,000.....	\$1,250 00
Over \$20,000,000 and not to exceed \$30,000,000.....	1,500 00
Over \$30,000,000 and not to exceed \$40,000,000.....	1,750 00
Over \$40,000,000 and not to exceed \$50,000,000.....	2,000 00
Over \$50,000,000 and not to exceed \$60,000,000.....	2,250 00
Over \$60,000,000 and not to exceed \$70,000,000.....	2,500 00
Over \$70,000,000 and not to exceed \$80,000,000.....	2,750 00
Over \$80,000,000 and not to exceed \$90,000,000.....	3,000 00
Over \$90,000,000	5,000 00
Mutual companies	50 00
Filing charter, per folio.....	50
Recording power of attorney.....	1 00
Seal	5 00

Annual Fees:

Specific license tax.....	200 00
Additional license to foreign and domestic companies.....	5 00
For a license granted for less than a year the specific tax thereon shall bear such proportion to the whole specific annual tax as the space of time between granting the same and the 30th day of April bears to the whole year.	
Agent's registration fee for each company represented.....	1 00

Annual Registration Fees:

Mutual companies and companies with capital of \$15,000 or less.	5 00
Stock companies with capital of \$15,000 to \$50,000.....	10 00
Stock companies with capital of \$50,000 to \$100,000.....	15 00
Stock companies with capital of \$100,000 to \$300,000.....	20 00
Stock companies with capital of more than \$300,000.....	25 00
For copies of records, per page (paid once only).....	20
Tax on seal, paid once only.....	1 00

All licenses expire on the 30th day of April, except fraternal beneficiary associations, which expire December 31st.

Certificates of registration expire July 15th.

Taxes.—Sick benefit companies, one-half of 1 per cent.; life, health and live stock companies, 1.4 per cent. of gross premiums or assessments received in the state or obligations taken therefor, during the previous year.

All other companies, $1\frac{3}{4}$ per cent. of such receipts or obligations.

Stock or legal reserve fire insurance companies whose gross premium receipts less return premiums upon cancelled policies shall not exceed \$100,000, shall pay a sum equal to $1\frac{1}{4}$ per cent. upon the gross income.

Purely mutual fire insurance companies not designed to accumulate profits for the stockholders or members, chartered by and doing business solely in this state, and legal reserve life insurance companies whose entire premium income upon all its business does not exceed \$500,000, shall pay 1 per cent. upon gross premium collections without any deduction for dividends paid or premiums returned.

One-tenth of 1 per cent. (or less, at discretion of the commissioner) of gross premiums or assessments received in the state or obligations taken therefor during previous year for maintaining the bureau of insurance.

Deposit.—Stock companies, except those doing marine business only, are required to deposit securities to the amount of 5 per cent. of capital; but such deposit shall not be less than \$10,000, and need not be more than \$50,000. The amount of deposit required of mutual companies is fixed by the state corporation commission, and shall pay to the state treasurer an annual fee of one-twentieth of 1 per cent. of the deposit.

Publications not required. Retaliatory provisions prevail.

Washington

Entrance of Authorization of All Companies Except Fraternal Associations:

For filing articles of incorporation or charter, or certified copy of articles or charter, by-laws or other record of organization.....	\$25 00
For issuing certificate of authority.....	10 00
Filing appointment of attorney to accept service.....	1 00
Total . . . ,	\$36 00

Annual and Miscellaneous Fees:

Certificate of authority (renewable annually).....	\$10 00
Filing annual statement of condition and report of Washington business	20 00
Filing amended articles of incorporation or charter.....	10 00
Filing miscellaneous papers (each).....	1 00
Certificate under seal.....	1 00
Certified copies of papers (per folio).....	20

Agents' Licenses:

Agent's license (fire, life or miscellaneous).....	\$2 00
Solicitor's license (fire, life or miscellaneous).....	2 00
Broker's license	100 00
Agent's license to act for unauthorized companies.....	100 00

Note: Agent's license may be issued to a firm or corporation and if so issued must bear the name of each member of the firm or corporation who participates in writing insurance therefor. . Licenses may be transferred.

Fraternal Beneficiary Associations

Filing articles and issuing certificate of authority upon entrance..	\$10 00
Annual license or renewal of certificate of authority.....	10 00

All licenses and certificates of authority expire March 31st.

No advertisement or publication of annual statement required.

Reciprocal laws in force and where fees of other states are greater for like services, as above enumerated, then the greater fee is required.

Fees:

West Virginia

Annual license fee.....	\$10 00
Filing annual report.....	10 00
Annual fee to state auditor for acting as attorney to accept service of process	10 00
Certification of valuation, to West Virginia companies only.....	5 00
Certificate of authority to each agent.....	5 00
For filing each additional paper required by law.....	25

Taxes.— Two per cent. of gross premiums received on business written or received in the state less return premiums.

A tax of one-half of 1 per cent. upon above premiums of fire companies to defray expenses of fire marshal.

Publication of annual statement not required.

Although 2 per cent. of gross premiums, etc., is the state tax, no premiums are taxed twice; i. e., in case of reinsurance only one company pays, as determined by the contract of reinsurance between the companies.

Fees:

Wisconsin

Filing annual statement, all companies and associations.....	\$25 00
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Licenses:

Life, assessment life and stipulated premium companies.....	300 00
Assessment accident associations.....	25 00

Agents' Licenses:

Fire and marine companies, one to each member of a firm.....	\$1 00
All other companies, one to each member of a firm.....	1 00

Taxes.—Fire and marine companies 2 per cent. of gross premiums received in the state, on direct business, less return premiums and cancellations on direct business, also less dividends.

Fire companies pay in addition to above three-eighths of 1 per cent. of gross premiums to defray expenses of fire marshal. Also a tax of 2 per cent. of all premiums received in cities or towns having fire departments fulfilling standard conditions. Tax must be paid on January 31st, for the preceding year ending December 31st. Casualty and surety companies 2 per cent. of gross premiums received in the state, without deduction.

Retaliatory provisions for other or greater charges by other states.

Memorandum.—The insurance commissioner of Wisconsin advises that in collecting the 1 per cent. tax on premiums, charged New York life insurance companies, he will allow a deduction therefrom of the license fee of \$300 which may have been collected by him from such companies with the express agreement that the New York insurance department shall not collect said "license fee" from Wisconsin life insurance companies doing business in New York State.

Wyoming*Fees:*

Filing statement and charter with application.....	\$50 00
Filing annual statement.....	25 00
Acceptance of state constitution.....	2 50
Agent's license	1 00

Copy of records, fifteen cents per folio and fifty cents for seal.

Taxes.—Two and one-half per cent. of gross premiums collected in the state. No allowance for return premiums.

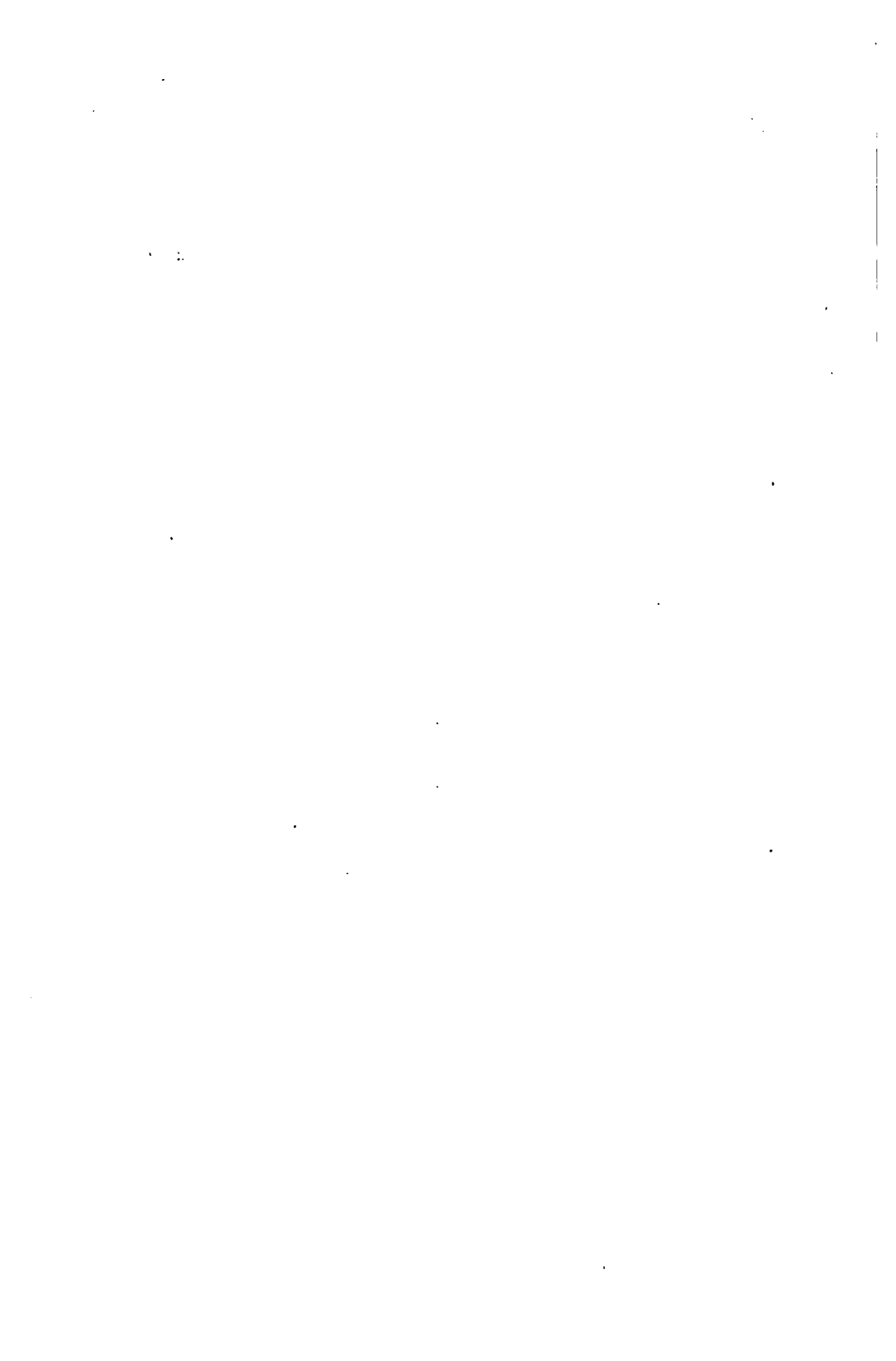
Fraternal and Beneficiary Associations

Fees:

Filing statement and charter with application.....	\$15 00
Filing annual statement.....	10 00
Acceptance of state constitution.....	2 50

No taxes or agents' licenses.

Publication of abstracts of annual statements once in two papers, one paper of which must be published at the capital. Companies select the papers.



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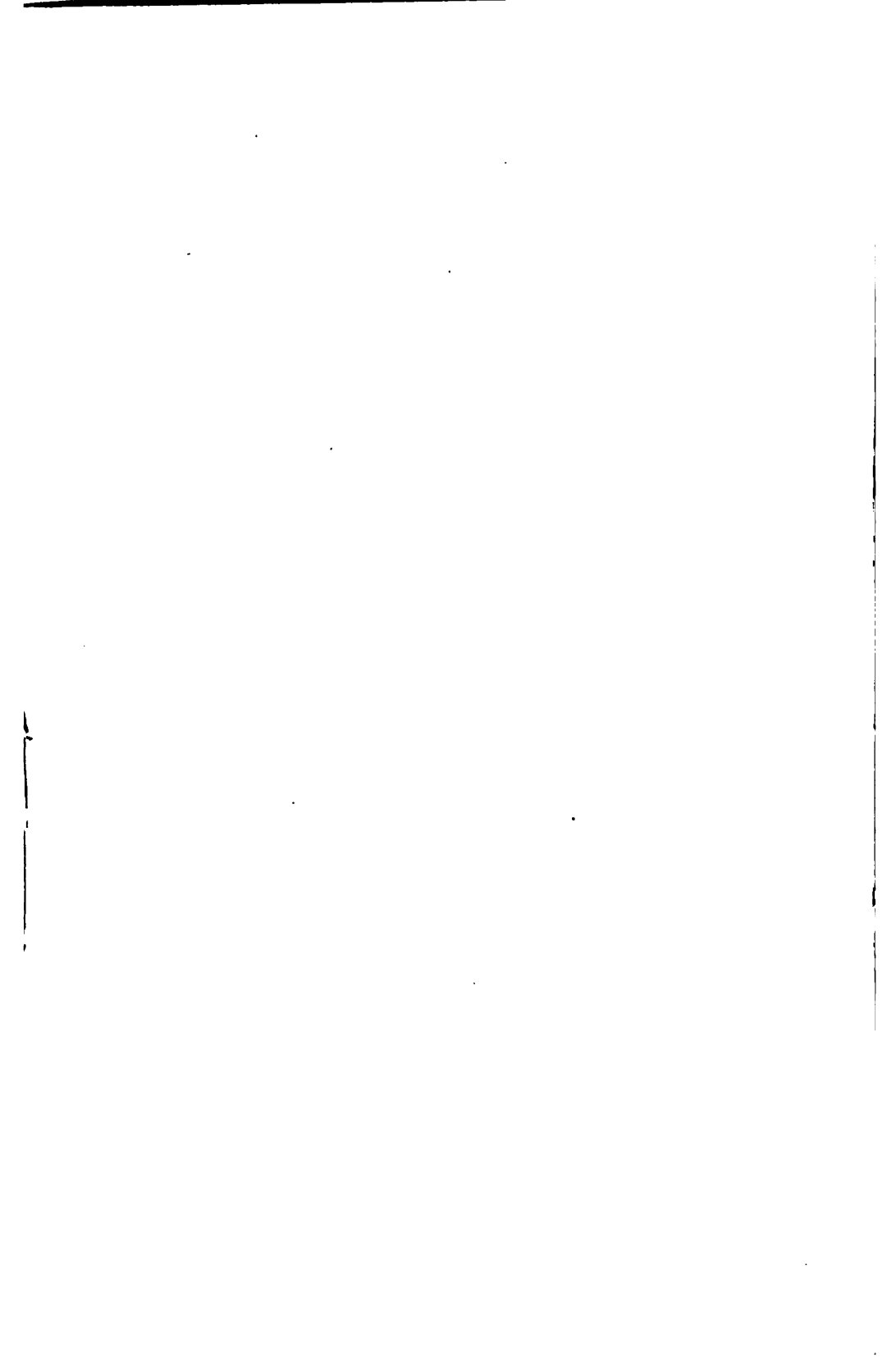
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